# SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED

Stock Code : 521

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ANNUAL REPORT
2013
SHOUGANG CONCORD
TECHNOLOGY
ANNUAL REPORT

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mung Kin Keung *(Executive Chairman)*
Li Shaofeng *(Non-executive Chairman)*
Li Tongshuang *(Managing Director)*
Mung Bun Man, Alan *(Executive Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Leung Kai Cheung
*(Independent Non-executive Director)*
Liem Chi Kit, Kevin
*(Independent Non-executive Director)*
Lam Kin Fung, Jeffrey
*(Independent Non-executive Director)*

## EXECUTIVE COMMITTEE

Li Tongshuang *(Chairman)*
Mung Kin Keung
Mung Bun Man, Alan

## AUDIT COMMITTEE

Leung Kai Cheung *(Chairman)*
Liem Chi Kit, Kevin
Lam Kin Fung, Jeffrey

## NOMINATION COMMITTEE

Mung Kin Keung *(Chairman)*
Leung Shun Sang, Tony
Leung Kai Cheung
Liem Chi Kit, Kevin
Lam Kin Fung, Jeffrey

## REMUNERATION COMMITTEE

Leung Kai Cheung *(Chairman)*
Mung Kin Keung
Leung Shun Sang, Tony
Liem Chi Kit, Kevin
Lam Kin Fung, Jeffrey

## INVESTMENT COMMITTEE

Mung Kin Keung *(Chairman)*
Li Tongshuang
Mung Bun Man, Alan
Leung Shun Sang, Tony
Leung Kai Cheung

## COMPANY SECRETARY

Lau Lap Ngai, ACS, ACIS

## AUDITOR

Deloitte Touche Tohmatsu

## SHARE REGISTRARS

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong
(the address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 31 March 2014)

## REGISTERED OFFICE

Units 2606A-2608, 26th Floor
Island Place Tower
510 King's Road
North Point, Hong Kong

## STOCK CODE

521

## WEBSITE

www.shougang-tech.com.hk

# DIRECTORS' BIOGRAPHIES

**Mr. Mung Kin Keung**, aged 53, holds a Conferment of Honorary Doctoral Degree from Sinte Gleska University of California. Mr. Mung Kin Keung is the father of Mr. Mung Bun Man, Alan who is an Executive Director of the Company. Mr. Mung Kin Keung was appointed an Executive Director of the Company in February 2009 and the Vice Chairman of the Company in May 2010 and was re-designated as the Chairman of the Company from October 2013. Subsequent to the re-designation of Mr. Mung as the Chairman, Mr. Mung and Mr. Li Shaofeng are both the Chairmen of the Company. Mr. Mung is the chairman of each of the Investment Committee and the Nomination Committee and a member of each of the Executive Committee and the Remuneration Committee of the Company. He is a director and the sole shareholder of China Review Property Group Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Mr. Mung is the chairman and an executive director of Mastermind Capital Limited ("Mastermind Capital"). He is also a director of Hong Kong Airlines Limited ("Hong Kong Airlines") and an executive director of Bestway International Holdings Limited ("Bestway"). Mr. Mung was an executive director of Hong Kong Resources Holdings Company Limited ("Hong Kong Resources") from October 2008 to November 2012. Mastermind Capital, Bestway and Hong Kong Resources are all listed companies in Hong Kong. Mr. Mung was awarded the 9th World Outstanding Chinese Award by the World Chinese Business Investment Foundation. He has extensive experience in areas of business management, strategic planning and development.

A service contract was entered into between Mr. Mung and the Company for a term of three years commencing on 1 January 2014. Under the service contract, Mr. Mung is entitled to a monthly salary of HK$200,000 or such higher salary and discretionary bonus as may be determined by the board of directors of the Company (the "Board") from time to time. For the financial year ended 31 December 2013, Mr. Mung's monthly salary is HK$200,000. Such salary was determined with reference to Mr. Mung's experience and duties as well as the then prevailing market conditions.

**Mr. Li Shaofeng**, aged 47, holds a bachelor degree in Automation from University of Science and Technology Beijing. Mr. Li was appointed an Executive Director and the Chairman of the Company in May 2010. Subsequent to the re-designation of Mr. Mung Kin Keung as the Chairman of the Company in October 2013, Mr. Li and Mr. Mung Kin Keung are both the Chairmen of the Company. Mr. Li was re-designated to a Non-executive Director of the Company in March 2014 but he remains as the Chairman of the Company. Mr. Li joined Shougang Corporation, the ultimate holding company of Shougang Holding (Hong Kong) Limited ("Shougang Holding") in 1989 and is the vice chairman and managing director of Shougang Holding and a director of each of Asset Resort Holdings Limited ("Asset Resort") and Wheeling Holdings Limited ("Wheeling"). Each of Shougang Holding, Asset Resort and Wheeling is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Li is the managing director of Shougang Concord International Enterprises Company Limited ("Shougang International") and the chairman of each of Shougang Fushan Resources Group Limited ("Shougang Resources"), Shougang Concord Grand (Group) Limited ("Shougang Grand"), Global Digital Creations Holdings Limited ("GDC"), Shougang Concord Century Holdings Limited ("Shougang Century") and an executive director of BeijingWest Industries International Limited ("BeijingWest International"). He is also a non-executive director of Sinocop Resources (Holdings) Limited, a Hong Kong listed company. Mr. Li is a non-executive director of Mount Gibson Iron Limited ("Mount Gibson"), a company listed on the Australian Securities Exchange, and was an alternate director to an ex-director of Mount Gibson from November 2011 to February 2012. He has extensive experience in management of, and investments in, listed companies, sino-foreign joint ventures and steel industry.

A service contract was entered into between Mr. Li and the Company for a term of three years commencing on 1 January 2014. Under the service contract, Mr. Li is entitled to a monthly salary of HK$200,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2013, Mr. Li's monthly salary is HK$200,000. Such salary was determined with reference to Mr. Li's experience and duties as well as the then prevailing market conditions. Mr. Li has voluntarily waived his salary commencing from 24 October 2013. The service contract was terminated upon the re-designation of Mr. Li from an Executive Director to a Non-executive Director of the Company.

An engagement letter was entered into with Mr. Li for a term commencing on 17 March 2014 and expiring on 31 December 2016. Under the engagement letter, Mr. Li is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the shareholders of the Company (the "Shareholders"). For the financial year ending 31 December 2014, the director's fee of Mr. Li will be HK$12,500 per month which will be paid in proportion to the actual length of services provided by Mr. Li. Such director's fee was determined with reference to Mr. Li's experience and duties as well as the then prevailing market conditions. Mr. Li voluntarily waives his director's fee.

**Mr. Li Tongshuang**, aged 38, holds a bachelor degree in hotel management from Shenzhen University. Mr. Li possesses a first grade qualification of Advanced Project Management Professional from the Ministry of Human Resources and Social Security of The People's Republic of China. He was appointed an Executive Director and the Managing Director of the Company in October 2013 and is the chairman of the Executive Committee and a member of the Investment Committee of the Company. Mr. Li is currently an assistant president of HNA Group (International) Company Limited (formerly known as HNA Group International Headquarter (Hong Kong) Co., Limited), a substantial shareholder of the Company within the meaning of Part XV of the SFO. He had served as senior executives for certain companies in the HNA Group. Mr. Li was the chairman of Hainan Island Construction Co., Ltd., a company listed on Shanghai Stock Exchange, during the period from September 2009 to December 2012. He has extensive management knowledge and working experience in hotel operation and property development.

A service contract was entered into between Mr. Li and the Company for a term of three years commencing on 1 January 2014. Under the service contract, Mr. Li is entitled to a monthly salary of HK$200,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the period from 24 October 2013 (the date of appointment of Mr. Li as an Executive Director of the Company) to 31 December 2013, Mr. Li's monthly salary is HK$200,000. Such salary was determined with reference to Mr. Li's experience and duties as well as the then prevailing market conditions.

# DIRECTORS' BIOGRAPHIES

**Mr. Mung Bun Man, Alan**, aged 27, holds a bachelor of arts degree in business economics from University of California – Santa Barbara and a master degree in finance from Peking University. Mr. Mung is the son of Mr. Mung Kin Keung who is the Executive Chairman of the Company. Mr. Mung was appointed an Executive Director of the Company in October 2013 and is a member of each of the Executive Committee and the Investment Committee of the Company. He is the managing partner of First Beijing Holdings Limited, a director of Hong Kong Airlines and an executive director of each of Bestway and Mastermind Capital (he was once an executive director of Mastermind Capital during the period from November 2010 to April 2013). Mr. Mung is also the vice chairman of Hong Kong Youth Synergy and a member of each of All-China Youth Federation and The Y.Elites Association Limited. Mr. Mung has extensive working experience in investment and asset management.

A service contract was entered into between Mr. Mung and the Company for a term of three years commencing on 1 January 2014. Under the service contract, Mr. Mung is entitled to a monthly salary of HK$100,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the period from 24 October 2013 (the date of appointment of Mr. Mung as an Executive Director of the Company) to 31 December 2013, Mr. Mung's monthly salary is HK$100,000. Such salary was determined with reference to Mr. Mung's experience and duties as well as the then prevailing market conditions.

**Mr. Leung Shun Sang, Tony**, aged 71, holds a bachelor degree of commerce from The Chinese University of Hong Kong and a master degree in business administration from New York State University. Mr. Leung was appointed a Non-executive Director of the Company in April 1993 and is a member of each of the Nomination Committee, the Remuneration Committee and the Investment Committee of the Company. He is also a non-executive director of each of Shougang International, Shougang Resources, Shougang Century, Shougang Grand and GDC. Mr. Leung had worked in Citibank N.A. and W.I. Carr Sons & Co. (Overseas) in his early years and he was the managing director of CEF Group. He has over 40 years of experience in securities and banking business, investment, financial markets, corporate strategy and corporate management.

An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2014. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2013, the director's fee of Mr. Leung is HK$190,000. For the financial year ending 31 December 2014, the director's fee of Mr. Leung will be HK$190,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

# DIRECTORS' BIOGRAPHIES

**Mr. Leung Kai Cheung**, aged 68, graduated from the Chinese University of Hong Kong with a bachelor degree in business. Mr. Leung was appointed an Independent Non-executive Director of the Company in June 2006 and is the chairman of each of the Audit Committee and the Remuneration Committee and a member of each of the Nomination Committee and the Investment Committee of the Company. He is also an independent non-executive director of each of Shougang International and BeijingWest International. Mr. Leung had been a senior executive of Citibank, N.A., the general manager of Barclays Bank PLC in charge of Kowloon and New Territories district and was the chairman of Star International Enterprises Limited. Mr. Leung has extensive financial knowledge and business management experience and is familiar with the business environment of both Hong Kong and Mainland China and the operation of listed companies.

An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2014. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2013, the director's fee of Mr. Leung is HK$240,000. For the financial year ending 31 December 2014, the director's fee of Mr. Leung will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

**Mr. Liem Chi Kit, Kevin**, aged 33, holds a bachelor degree (honours) in commerce from University of Toronto and a master degree in taxation from University of Waterloo. Mr. Liem was appointed an Independent Non-executive Director of the Company in June 2013 and is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He is a CFA charter holder and a certified public accountant (USA). Mr. Liem is a chief investment officer of TTG (HK) Limited and a research analyst of HKGolden 50. He is a member of the professional education committee of Hong Kong Securities and Investment Institute (HKSI). Mr. Liem has extensive experience in securities, financial market and investment.

An engagement letter was entered into with Mr. Liem for a term of three years commencing on 1 January 2014. Under the engagement letter, Mr. Liem is entitled to a director's fee as may be determined by the Board from time to time. For the period from 18 June 2013 (the date of appointment of Mr. Liem as an Independent Non-executive Director of the Company) to 31 December 2013, the director's fee of Mr. Liem is HK$128,667 which was based on the director's fee of HK$240,000 for a full year and paid in proportion to Mr. Liem's actual length of services. For the financial year ending 31 December 2014, the director's fee of Mr. Liem will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Liem. Such director's fees were determined with reference to Mr. Liem's experience and duties as well as the then prevailing market conditions.

**Mr. Lam Kin Fung, Jeffrey**, *GBS, JP,* aged 62, holds a bachelor degree in mechanical engineering from Tufts University in the United States and was conferred university fellow of Tufts University and The Hong Kong Polytechnic University. Mr. Lam was appointed an Independent Non-executive Director of the Company in October 2013 and is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He is an independent non-executive director of each of C C Land Holdings Limited, China Overseas Grand Oceans Group Limited, Chow Tai Fook Jewellery Group Limited, Hsin Chong Construction Group Limited, Sateri Holdings Limited and Wynn Macau, Limited, all of which are listed companies in Hong Kong. He has over 30 years of experience in toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing.

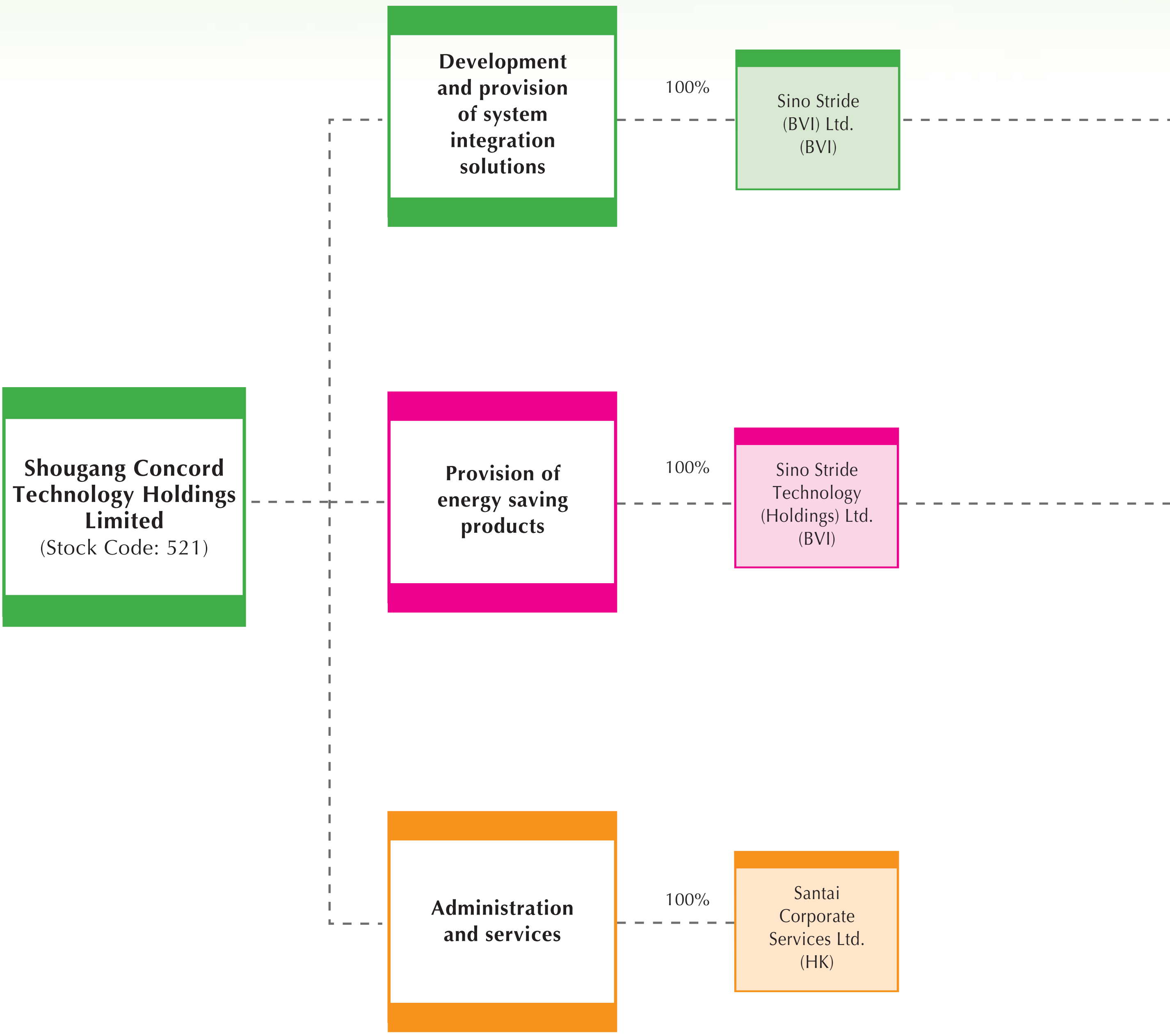
In addition, Mr. Lam is a member of the National Committee of the Chinese People's Political Consultative Conference. He is also a member of the Legislative Council of the Hong Kong Special Administrative Region (the "HKSAR"), a non-official member of the Executive Council of the HKSAR, the chairman of the Mega Events Funds Assessment Committee, a member of the board of The Airport Authority Hong Kong, a member of the board of the West Kowloon Cultural District Authority, a member of the Independent Commission Against Corruption (ICAC) Complaint Committee, a general committee member of the Hong Kong General Chamber of Commerce and a council member of The Hong Kong Trade Development Council, a member of the Court of The Hong Kong Polytechnic University and a member of the Fight Crime Committee. Mr. Lam also holds a number of other public and community service positions.

Mr. Lam was awarded the Young Industrialist Award of Hong Kong in 1989 and the Outstanding Achievement Award – Hong Kong Toy Industry in 1999. In 1996, he was appointed Justice of the Peace and became a member of the Most Excellent Order of the British Empire. Mr. Lam was awarded the Silver Bauhinia Star in 2004 and the Gold Bauhinia Star in 2011 respectively.

An engagement letter was entered into with Mr. Lam for a term of three years commencing on 1 January 2014. Under the engagement letter, Mr. Lam is entitled to a director's fee as may be determined by the Board from time to time. For the period from 24 October 2013 (the date of appointment of Mr. Lam as an Independent Non-executive Director of the Company) to 31 December 2013, the director's fee of Mr. Lam is HK$45,161 which was based on the director's fee of HK$240,000 for a full year and was paid in proportion to Mr. Lam's actual length of services. For the financial year ending 31 December 2014, the director's fee of Mr. Lam will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Lam. Such director's fees were determined with reference to Mr. Lam's experience and duties as well as the then prevailing market conditions.

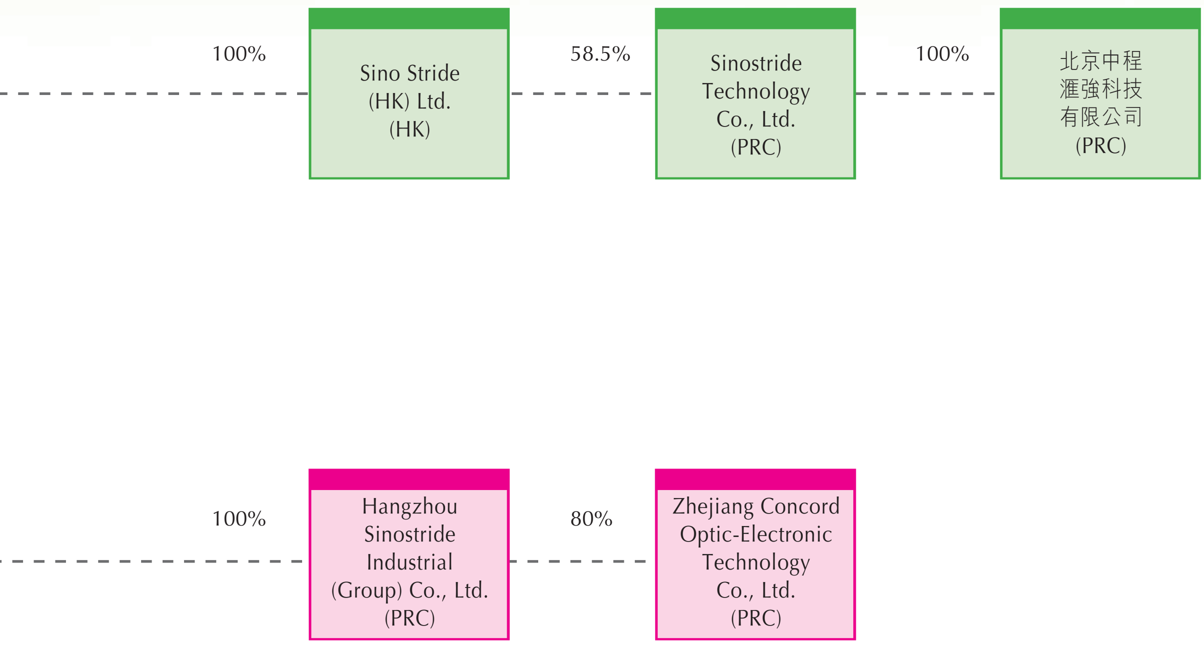
# MAIN OPERATIONAL STRUCTURE

As at 31 December 2013



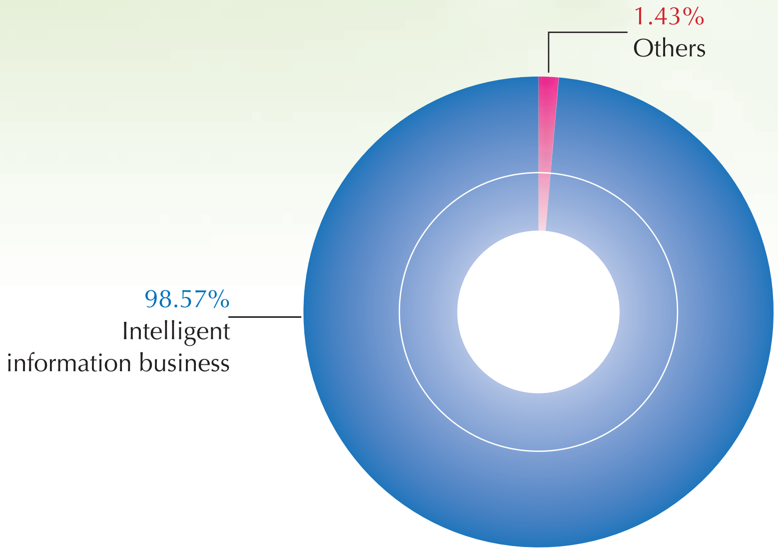
# MAIN OPERATIONAL STRUCTURE

As at 31 December 2013

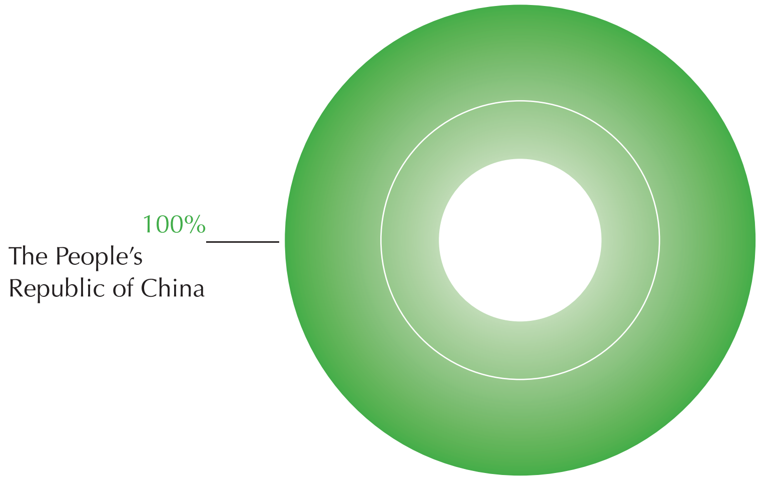


# FINANCIAL HIGHLIGHTS

## TURNOVER BY PRINCIPAL ACTIVITY FOR THE YEAR 2013

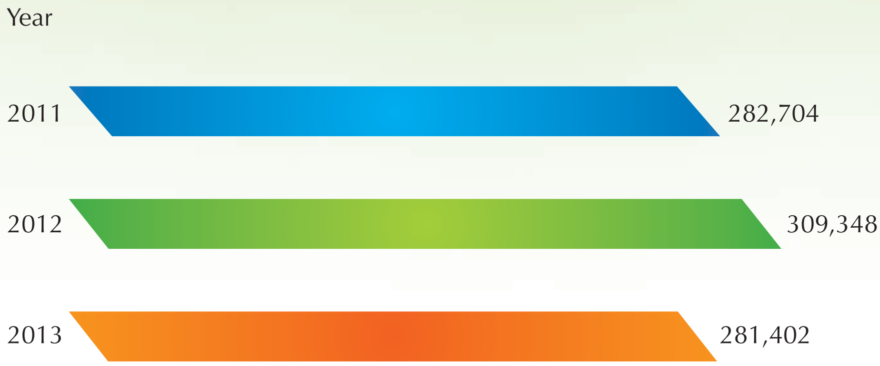



## TURNOVER BY GEOGRAPHICAL LOCATION FOR THE YEAR 2013

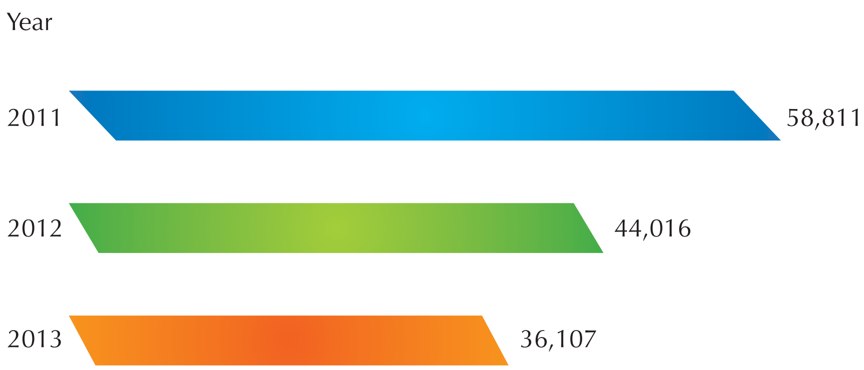


# FINANCIAL HIGHLIGHTS

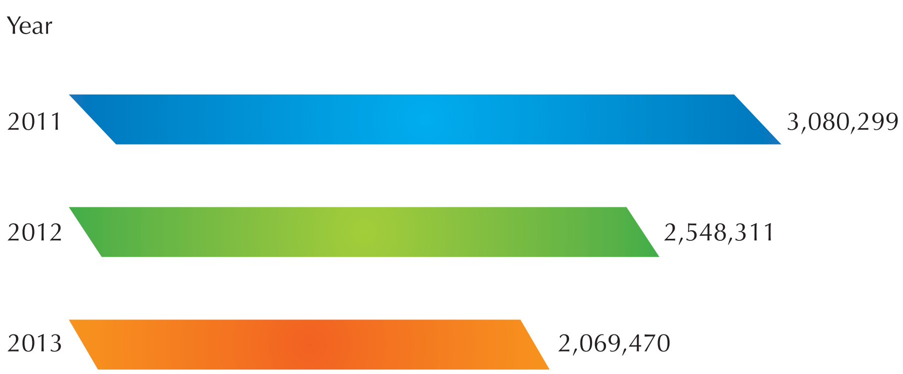
## TURNOVER (in HK$'000)




## GROSS PROFIT (in HK$'000)




## TOTAL ASSETS (in HK$'000)



# CHAIRMAN'S STATEMENT

In 2013, the Group's continuing operations recorded a decrease in turnover due to a drop in the project volume of the Group's main business – intelligent information business as compared to last year. In addition, the Company's increased efforts in internal control along with implementation of stringent control over provision for assets for the purpose of its long-term operation led to a remarkable increase in loss for the year. As disclosed in the Company's announcements in 2011 and 2012, the Company has been advised by Southern Media Corporation, a state-owned enterprise in the PRC, about the reorganisation of the cable digital broadcasting networks of Guangdong Province into one centralised network under one provincial broadcasting network company (the "Reform") which is led by the Steering Group on the Reform of Guangdong Cultural Structure (廣東省文化體制改革工作領導小組). Upon the completion of the Reform, the cable digital broadcasting networks of Guangdong Province will be ultimately owned and operated by Guangdong Broadcasting Network Co., Ltd. (廣東省廣播網絡有限公司), a state-owned enterprise in the PRC. As a result, the Group will no longer operate the DTV technical solutions and related business. The disposal transaction of the DTV business under the Group is pending completion. The parties are currently negotiating the transaction terms. The Group believes that the final transaction price can realise an amount worth the value of such business.

To Shougang Concord Technology Holdings Limited, 2014 is deemed to be a year for steady transformation. Amid reduced competitiveness of existing businesses and slowed down profit, the decision makers of the Group is urging a reform, in which exploring new profitable projects and taking up more profit making opportunities will be set to be the core strategy, while steady operation of existing businesses will be maintained. As disclosed in the Company's announcement dated 17 January 2014, the Group is planning to develop quality golf hotel property business in Mainland China and own and manage a golf club, hotel as well as other clubhouse recreational facilities through acquisition in order to extend the income source of the Group, thereby balancing the operating expenses and guaranteeing the funds required for project investment, with a view to providing the shareholders with a stable and better return in the future.

On behalf of the Board of Directors, I would like to express our sincere gratitude to our customers, suppliers, shareholders and business partners for their full support to the Group in the past. We are also thankful to the dedication of the management and staff for their endeavor in the continuous enhancement of the Group throughout the year.

**Mung Kin Keung**
*Executive Chairman*

Hong Kong, 27 March 2014

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Turnover from continuing operations for the year ended 31 December 2013 amounted to HK$281.4 million (31 December 2012: HK$309.3 million). The decrease in turnover was mainly attributable to project volume derived from intelligent information business being less than last year.

Loss attributable to the owners of the Company for the year amounted to HK$318.4 million (31 December 2012: HK$379.6 million), analyzed as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Loss from continuing operations | **178,033** | 254,276 |
| Loss from discontinued operations | | |
| – digital television business | **140,345** | 67,362 |
| – photomask business | **–** | 57,990 |
| | **140,345** | 125,352 |
| Loss attributable to the owners of the Company for the year | **318,378** | 379,628 |

Basic loss per share of the Group is summarized as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK cents** | HK cents |
| Basic loss per share from continuing operations | **6.61** | 11.11 |
| Basic loss per share from discontinued operations | **5.22** | 5.48 |
| Basic loss per share of the Group as a whole | **11.83** | 16.59 |

As at 31 December 2013, the Group's equity attributable to the owners of the Company amounted to HK$814.0 million, representing a decrease of HK$263.9 million over the figure as at 31 December 2012 of HK$1,077.9 million. The net assets value per share attributable to the owners of the Company as at 31 December 2013 was HK$0.33 (31 December 2012: HK$0.40).

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue, cost of sales and gross profit from continuing operations

Revenue from continuing operations for the year decreased by HK$27.9 million (9.0%) compared to prior year, which is mainly attributable to the decrease in project volume from intelligent information business with further details disclosed in "SEGMENT INFORMATION" below. At the same time, cost of sales from continuing operations for the year also decreased by HK$20.0 million (7.6%) with a smaller extent of decrease compared with revenue. This resulted in decrease in gross profit from HK$44.0 million in 2012 to HK$36.1 million in 2013.

### Loss for the year from continuing operations attributable to the owners of the Company

Loss for the year from continuing operations attributable to the owners of the Company decreased by HK$76.2 million (30.0%) compared to prior year, which is mainly resulted from turning loss on fair value change of the derivative components of convertible loan notes of HK$68.5 million in 2012 to gain on fair value change of the derivative components of convertible loan notes of HK$29.4 million in 2013 upon reduction of option life.

### Loss for the year from discontinued operations attributable to the owners of the Company

Loss for the year from discontinued operations attributable to the owners of the Company increased by HK$15.0 million (12.0%) compared to prior year, because the Group is no longer able to operate the DTV business under the existing structure and therefore no longer entitled to corresponding technical service fee income in 2013. Please refer to further details disclosed in Note 15 of this annual report.

## SEGMENT INFORMATION

### Intelligent information business

Intelligent information business refers to the development and provision of system integration solutions, system design and sale of system hardware. The turnover and operating losses for the year arising from intelligent information business reached HK$277.4 million (2012: HK$304.6 million) and HK$117.7 million (2012: HK$36.9 million), respectively. The decrease in operating income was mainly attributable to the drop in the project volume as compared to last year. In addition, the Company's increased efforts in internal control along with implementation of stringent control over provision for assets for the purpose of its long-term operation led to a remarkable increase in loss for the year.

### Digital television business services

In the year, there was no operating income from digital television business (2012: HK$69.5 million) and the total loss is HK$140.3 million (2012: HK$67.4 million). The Group was no longer able to engage in the digital television business technical solution and similar business. There was no technical service fee income to set off the related expenses during the current year, which resulted in the loss as a whole increased by HK$72.9 million as compared with 2012.

At present, the disposal transaction of the DTV business under the Group is pending completion. The parties are currently negotiating the transaction amount and transaction terms. The Group believe that the final transaction price can realise an amount worth the value of such business.

### Others

It represents the provision of management services and the sale of light emitted diode items and other products. In the year, the turnover and operating profits/(losses) were HK$4.0 million (2012: HK$4.8 million) and HK$0.6 million (2012: HK$ (4.1 million)) respectively.

## PROSPECT

Through resources integration after the disposal of digital television business, the Group will redeploy resources in system integration business. The Group will also actively explore new businesses for investments and development to maximize return to shareholders in the future. The Group also intends to develop golf hotel business through acquisitions and it is expected that this will bring better return to shareholders in the future.

## LIQUIDITY AND FINANCIAL RESOURCES

The financial leverage of the Group as at 31 December 2013, as compared to 31 December 2012 is summarized below:

| | As at<br>**31 December 2013**<br>**HK$'000** | <br>31 December 2012<br>HK$'000 |
|---|---|---|
| Total debt | | |
| – from bank | **128,012** | 421,915 |
| – from convertible loan notes | **264,660** | 212,203 |
| Sub-total | **392,672** | 634,118 |
| Pledged bank deposits | **(24,101)** | (292,864) |
| Cash and bank deposits | **(5,648)** | (13,362) |
| Net debt | **362,923** | 327,892 |
| Total capital (equity and total debt) | **1,206,647** | 1,711,998 |
| Total assets | **2,069,470** | 2,548,311 |
| Financial leverage | | |
| – net debt to total capital | **30.1%** | 19.2% |
| – net debt to total assets | **17.5%** | 12.9% |

## FINANCING ACTIVITIES

During the year, the Group has raised new borrowings of HK$395.4 million from banks, a related company and a shareholder of HK$287.8 million, HK$92.6 million and HK$15.0 million respectively, to provide working capital for the Group.

## CAPITAL STRUCTURE

As at 31 December 2013, the number of shares in issue and issued share capital of the Company were 2,692,141,179 (31 December 2012: 2,692,141,179) and approximately HK$673.0 million (31 December 2012: HK$673.0 million) respectively.

## CHARGE ON ASSETS

As at 31 December 2013, assets pledged to banks to secure banking facilities (including bank borrowings and bills payables) granted to the Group are as follow:

| | **31 December 2013 HK$'000** | 31 December 2012 HK$'000 |
|---|---|---|
| Investment properties | **49,329** | 45,453 |
| Buildings | **11,106** | 10,903 |
| Bank deposits | **24,101** | 293,053 |
| Total | **84,536** | 349,409 |

As at 31 December 2013, among assets pledged classified as held for sale, there were investment properties of HK$49.3 million (31 December 2012: HK$45.5 million), buildings of HK$11.1 million (31 December 2012: HK$10.9 million), and pledged bank deposits of Nil (31 December 2012: HK$0.2 million) as at 31 December 2013 were included in disposal group classified as held-for-sale.

## FOREIGN EXCHANGE EXPOSURE

The ordinary operations and investments of the Group are mainly in Hong Kong and the PRC, with revenue and expenditures denominated in Hong Kong dollars, Renminbi and United States dollars. The operation results of the Group may be affected by the volatility of Renminbi. The Group will review its foreign exchange exposure regularly and may consider using financial instruments to hedge against foreign exchange exposures at appropriate times. As at 31 December 2013, there were no derivative financial instruments employed by the Group.

## MATERIAL ACQUISITIONS, DISPOSALS, SIGNIFICANT INVESTMENTS AND FUTURE PLANS OF MATERIAL INVESTMENT

During the year, the Group completed the disposal of its 20% interests in Sinostride Technology Co. Ltd. ("SST") at a total consideration of RMB58.3 million, the partial disposal of SST is accounted for as an equity transaction, resulting in net amount of HK$19.0 million being recognised in accumulated losses.

In addition, as disclosed in an announcement of the Company dated 17 January 2014, the Group intended to develop golf hotel business through acquisitions. It is expected through the ownership and management of Golf Club, Sofitel Dongguan Golf Resort Hotel and other recreational facilities in Dongguan, PRC, the provision of leisure and tourism services can bring revenue and diversify the income sources of the Group. This will balance our operating expenses and it is believed that this will bring stable and better return and cash flow to the shareholders in future.

Save as disclosed above, the Group had no other material acquisitions, disposals, significant investments and future plans of material investment during the year ended 31 December 2013.

## CONTINGENT LIABILITIES

As at 31 December 2013, the contingent liabilities of the Group were arisen from guarantees of HK$126.2 million (31 December 2012: HK$148.6 million) for credit facilities granted to third parties, and the amount utilized was HK$111.5 million (31 December 2012: HK$104.2 million).

## EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 285 employees as at 31 December 2013.

The remuneration policies of the Group are to ensure fairness and competitiveness of total remuneration in order to motivate and retain current employees as well as to attract potential ones. Remuneration packages are carefully structured to take into account local practices under various geographical locations in which the Group operates. The remuneration packages of the employees include salary, discretionary bonuses, pension schemes, medical subsidies and share options as part of their staff benefits.

# CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency.

## CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the financial year ended 31 December 2013.

## BOARD OF DIRECTORS

### Composition

The Board currently comprises a total of eight Directors, being three Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. The list of Directors is set out in the section headed "Report of the Directors" of this annual report. In addition, an updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and the Company respectively.

The Board is characterised by significant diversity and has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Directors' Biographies" of this annual report.

The Directors give sufficient time and attention to the affairs of the Company and its subsidiaries (the "Group"). All Directors are required to disclose to the Company at the time of their appointment and annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

Save for those as disclosed in the section headed "Directors' Biographies" as set out on pages 3 to 7 of this annual report, the Board members have no other financial, business, family or other material/relevant relationships with each other.

The Board includes a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a sufficient independent element on the Board, which can effectively exercise independent judgment.

## BOARD OF DIRECTORS (continued)

### Composition (continued)

The Non-executive Directors are of sufficient number and calibre for their views to carry weight. The functions of Non-executive Directors include:

- bringing an independent judgment at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance and monitoring performance reporting.

The Non-executive Directors (including Independent Non-executive Directors) have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They give the Board and the committees on which they serve the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation.

Composition of the Board is disclosed, and the Independent Non-executive Directors are identified, in all corporate communications to shareholders.

### Board diversity

In compliance with the requirement set out in new code provision A.5.6 of the CG Code, the Company adopted a board diversity policy (the "Board Diversity Policy") on 28 August 2013 which sets out its approach to achieve diversity on the Board with a view to achieving a sustainable and balanced development of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board Diversity Policy is posted on the website of the Company.

### Role and function of the Board and the management

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the Executive Committee and senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee. Further details of these committees are set out in this report.

## BOARD OF DIRECTORS (continued)

### Board meetings

The Board meets regularly and holds at least four Board meetings a year. Additional meetings will be arranged, if and when required. The Directors can attend meetings in person or through electronic means of communication in accordance with the articles of association of the Company (the "Articles").

The Company Secretary assists the Chairman in drawing up the agenda of each Board meeting. Draft agenda of each regular Board meeting will be sent to all Directors for review before the agenda is issued and all Directors may request for inclusion of other matters in the agenda. The Chairman will take into account the matters proposed by the Directors and where appropriate, approve the inclusion of such matters in the agenda of the Board meeting. Generally, at least 14-day notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it, to all Directors at least 3 days before the intended date of a Board meeting. Where queries are raised by Directors, prompt and full responses will be given if possible.

There has been procedure in place to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expenses. The Board shall resolve to, upon reasonable request, provide separate independent professional advice to Directors to assist them perform their duties to the Company.

The Company Secretary is responsible for taking minutes of Board meetings and Board committee meetings, draft and final versions of which would be sent to Directors for comments and records respectively, within a reasonable time after each meeting. Minutes are recorded in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of Board meetings and Board committees meetings are kept by the Company Secretary and are open for inspection by any Director/committee member.

If a substantial shareholder or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, the matter will be dealt with by a physical Board meeting, rather than a written resolution. Independent Non-executive Directors who, and whose associates, have no material interest in the transaction should be present at that Board meeting.

Except for those circumstances permitted by the Articles and all applicable laws, rules and regulations, a Director shall not vote on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting.

## BOARD OF DIRECTORS (continued)

### Attendance records

During the financial year ended 31 December 2013, the Directors have made active contribution to the affairs of the Group and five physical Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the interim results and annual results of the Group.

Details of the Directors' attendances in 2013 are as follows:

| | **Number of meeting(s) attended/eligible to attend** |
|---|---|
| *Executive Directors* | |
| Li Shaofeng | 5/5 |
| Mung Kin Keung | 5/5 |
| Li Tongshuang *(appointed on 24 October 2013)* | 1/1 |
| Mung Bun Man, Alan *(appointed on 24 October 2013)* | 1/1 |
| Chau Chit *(resigned on 24 October 2013)* | 4/4 |
| *Non-executive Directors* | |
| Leung Shun Sang, Tony | 5/5 |
| Lu Yeow Leong *(resigned on 28 August 2013)* | 1/2 |
| *Independent Non-executive Directors* | |
| Leung Kai Cheung | 4/5 |
| Liem Chi Kit, Kevin *(appointed on 18 June 2013)* | 3/3 |
| Lam Kin Fung, Jeffrey *(appointed on 24 October 2013)* | 1/1 |
| Wong Kun Kim *(retired on 18 June 2013)* | 2/2 |
| Wong Wai Kwan *(resigned on 24 October 2013)* | 4/4 |

### Access to information

The Board is supplied with sufficient explanation and information by the management to enable the Board to make an informed assessment of financial and other information put before it for approval. The management provides all Board members with monthly updates which give a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

## BOARD OF DIRECTORS (continued)

### Appointment and re-election of Directors

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will give adequate consideration to the Board Diversity Policy and review the profiles of the candidates and make recommendations to the Board on the appointment, re-appointment and nomination of Directors.

According to the Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director is subject to retirement by rotation at least once every three years.

All Directors (including all Non-executive Directors) have entered into service contracts or letters of engagement with the Company for a term of not more than three years.

### Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three Independent Non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to Rule 3.10A of the Listing Rules, the number of Independent Non-executive Directors of the Company represents more than one-third of the Board.

The Company has received from each of its Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-executive Directors are independent.

Any re-election of an independent non-executive director who has served the board for more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders.

### Insurance for directors' and officers' liability

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

## BOARD OF DIRECTORS (continued)

### Directors' training and professional development

Every newly appointed Director will be given an introduction of regulatory requirements. Directors are continually updated on the latest development of the Listing Rules, legal and other regulatory requirements to ensure compliance and upkeep of good corporate governance practice. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company Secretary facilitates induction and professional development of Directors.

In December 2013, the Company organized, at the cost of the Company, an in-house training session for the Directors on the topic of disclosure on environmental and social matters for listed companies.

All Directors have provided to the Company their records of training received during the period from 1 January 2013 or the date of appointment as a director of the Company to the date of resignation as a director of the Company or 31 December 2013, where applicable, a summary of which is as follows:

| | **Continuous professional development** | |
|---|---|---|
| **Directors** | **Type** (Note I) | **Subject** (Note II) |
| Li Shaofeng | A | 1 |
| | B | 4 |
| Mung Kin Keung | A | 1 |
| | B | 4 |
| Chau Chit | B | 4 |
| Li Tongshuang | A | 1 |
| | B | 4 |
| Mung Bun Man, Alan | A | 1 |
| | B | 4 |
| Leung Shun Sang, Tony | A | 1 |
| Lu Yeow Leong | – | – |
| Wong Kun Kim | A | 1, 2, 4 |
| | B | 1, 2, 3, 4 |
| Leung Kai Cheung | A | 1, 2 |
| Wong Wai Kwan | A | 1, 2, 4 |
| Liem Chi Kit, Kevin | A | 1 |
| Lam Kin Fung, Jeffrey | A | 1 |

*Note I:*

*A: Attending seminars, conferences, forums, in-house briefings or in-house training*

*B: Reading newspapers, journals and updates*

*Note II:*

*1: Laws, rules and regulations*

*2: Finance, Accounting or Taxation*

*3: Management*

*4: Businesses relating to the Company*

## CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate and exercised by different individuals to reinforce their independence and accountability. Mr. Li Shaofeng and Mr. Mung Kin Keung are both the Chairmen and Mr. Li Tongshuang serves as the Managing Director of the Company. The two Chairmen provide leadership for the Board and ensure that the Board works effectively and performs its responsibilities. The Managing Director has overall chief executive responsibility for the Group's business development and day-to-day management generally. The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in writing.

In performing the role of Chairmen, both Mr. Li Shaofeng's and Mr. Mung Kin Keung's responsibilities include, amongst other things:

- taking primary responsibility for ensuring that good corporate governance practices and procedures are established;
- ensuring that all Directors are properly briefed on issues arising at Board meetings, and ensuring that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;
- encouraging all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interest of the Company;
- encouraging Directors with different views to voice their concerns, allowing sufficient time for discussion of issues and ensuring that Board decisions fairly reflect Board consensus;
- ensuring that appropriate steps are taken to provide effective communications with shareholders and that their views are communicated to the Board as a whole; and
- promoting a culture of openness and debate by facilitating the effective contribution of Non-executive Directors in particular and ensuring constructive relations between Executive and Non-executive Directors.

During the year, the two Chairmen met with the Non-executive Directors (including Independent Non-executive Director) without the presence of other Executive Director.

## BOARD COMMITTEES

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

### Executive Committee

An Executive Committee of the Board was established in April 2005 with specific written terms of reference which deal clearly with its authorities and duties.

The Executive Committee has been conferred with the general powers of the Board (except those matters specifically reserved for the Board) to manage and oversee the operations of the Group and has been assigned with the responsibilities to perform the corporate governance duties as follows:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

- to review and monitor the training and continuous professional development of Directors and senior management;

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

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

- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

- to conform to any requirement, direction, regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

The Executive Committee comprises all Executive Directors of the Company.

## BOARD COMMITTEES (continued)

### Executive Committee (continued)

During the year, seventeen physical meetings of the Executive Committee were held. Amongst those meetings, two meetings were held for the purpose of performing the corporate governance duties. The attendances of the members of the Executive Committee at those meetings are as follows:

| Committee members | Number of meeting(s) attended/eligible to attend |
|---|---|
| Li Tongshuang *(chairman of the committee)* *(appointed as a member and the chairman of the committee on 24 October 2013)* | 0/0 |
| Li Shaofeng | 2/2 |
| Mung Kin Keung | 2/2 |
| Mung Bun Man, Alan *(appointed as a member on 24 October 2013)* | 0/0 |
| Chau Chit *(ceased to act as a member and the chairman of the committee from 24 October 2013)* | 2/2 |

The major work in relation to the corporate governance of the Group performed by the Executive Committee during the year included, amongst other things, the following:

- developing the Board Diversity Policy and making recommendations to the Board for adoption of the Board Diversity Policy; and
- reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company for the year ended 31 December 2012.

### Audit Committee

An Audit Committee of the Board was established in December 1998 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Audit Committee include, amongst other things:

- overseeing the relationship with the Company's auditor;
- reviewing the interim and annual financial statements;
- reviewing the Company's financial reporting system and internal control procedures; and
- reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

## BOARD COMMITTEES (continued)

### Audit Committee (continued)

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. It is given access to and assistance from the employees and reasonable resources to perform its duties properly.

The chairman of the Audit Committee is an Independent Non-executive Director and the Audit Committee comprises all Independent Non-executive Directors of the Company. None of the members of the Audit Committee are former partners of the auditor of the Company.

During the year, two physical meetings of the Audit Committee were held and the attendances of the members of the Audit Committee are as follows:

| Committee members | Number of meeting(s) attended/eligible to attend |
|---|---|
| Leung Kai Cheung *(chairman of the committee)* *(served as the chairman of the committee from 18 June 2013)* | 2/2 |
| Liem Chi Kit, Kevin *(appointed as a member on 18 June 2013)* | 1/1 |
| Lam Kin Fung, Jeffrey *(appointed as a member on 24 October 2013)* | 0/0 |
| Wong Kun Kim *(ceased to act as a member and the chairman of the committee from 18 June 2013)* | 0/1 |
| Wong Wai Kwan *(ceased to act as a member from 24 October 2013)* | 2/2 |

The major work performed by the Audit Committee during the year included, amongst other things, the following:

- reviewing the final results of the Group for the financial year ended 31 December 2012; and
- reviewing the interim results of the Group for the six months ended 30 June 2013.

During the year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

## BOARD COMMITTEES (continued)

### Nomination Committee

A Nomination Committee of the Board was established in April 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Nomination Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board;

- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors;

- assessing the independence of Independent Non-executive Directors; and

- reviewing the Board Diversity Policy, as appropriate; and reviewing the measurable objectives that have been set for implementing the Board Diversity Policy, and reviewing the progress on achieving the objectives.

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will give adequate consideration to the Board Diversity Policy and take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The chairman of the Nomination Committee is the Chairman of the Board and the Independent Non-executive Directors of the Company constitute the majority of the Nomination Committee.

## BOARD COMMITTEES (continued)

### Nomination Committee (continued)

During the year, four physical meetings of the Nomination Committee were held and the attendances of the members of the Nomination Committee are as follows:

| Committee members | Number of meeting(s) attended/eligible to attend |
|---|---|
| Li Shaofeng *(chairman of the committee)* | 4/4 |
| Leung Shun Sang, Tony | 4/4 |
| Leung Kai Cheung | 3/4 |
| Liem Chi Kit, Kevin *(appointed as a member on 18 June 2013)* | 2/2 |
| Lam Kin Fung, Jeffrey *(appointed as a member on 24 October 2013)* | 1/1 |
| Wong Kun Kim *(ceased to act as a member from 18 June 2013)* | 2/2 |
| Wong Wai Kwan *(ceased to act as a member from 24 October 2013)* | 3/3 |

The major work performed by the Nomination Committee during the year included, amongst other things, the following:

- assessing the independence of the Independent Non-executive Directors;
- considering and making recommendations to the Board on the re-election of Directors at the annual general meeting;
- considering and making recommendations to the Board for the appointment of Messrs. Li Tongshuang, Mung Bun Man, Alan, Liem Chi Kit, Kevin and Lam Kin Fung, Jeffrey as Directors of the Company;
- considering and making recommendations to the Board on the change of Board composition; and
- reviewing the structure and composition of the Board with due regards for the benefits of diversity on the Board.

## BOARD COMMITTEES (continued)

### Remuneration Committee

A Remuneration Committee of the Board was established in April 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group;

- reviewing and approving the management's remuneration proposals with reference to the Company's goals and objectives;

- determining, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management and making recommendations to the Board on the remuneration of Non-executive Directors;

- reviewing and approving compensation payable to Executive Directors and senior management and compensation arrangements relating to dismissal or removal of Directors for misconduct; and

- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee may consult the Chairmen of the Board and/or the Managing Director of the Company about their remuneration proposals for other Executive Directors. It has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The remuneration policies for the Company as well as the Directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

The chairman of the Remuneration Committee is an Independent Non-executive Director and the Independent Non-executive Directors of the Company constitute the majority of the Remuneration Committee.

## BOARD COMMITTEES (continued)

### Remuneration Committee (continued)

During the year, three physical meetings of the Remuneration Committee were held and the attendances of the members of the Remuneration Committee are as follows:

| Committee members | Number of meeting(s) attended/eligible to attend |
|---|---|
| Leung Kai Cheung *(chairman of the committee)* | 2/3 |
| Mung Kin Keung | 3/3 |
| Leung Shun Sang, Tony | 3/3 |
| Liem Chi Kit, Kevin *(appointed as a member on 18 June 2013)* | 2/2 |
| Lam Kin Fung, Jeffrey *(appointed as a member on 24 October 2013)* | 1/1 |
| Wong Kun Kim *(ceased to act as a member from 18 June 2013)* | 1/1 |
| Wong Wai Kwan *(ceased to act as a member from 24 October 2013)* | 2/2 |

The major work performed by the Remuneration Committee during the year included, amongst other things, the following:

- making recommendations to the Board on the terms of the engagement letters and directors' fees of each of Mr. Liem Chi Kit, Kevin and Mr. Lam Kin Fung, Jeffrey;
- considering and approving the terms of the service contracts and the remuneration of each of Mr. Li Tongshuang and Mr. Mung Bun Man, Alan;
- reviewing and approving the terms of the service contracts of the Executive Directors of the Company;
- considering, reviewing and determining the remuneration of the Executive Directors of the Company for the year 2014;
- making recommendations to the Board on the terms of the engagement letters of the Non-executive Directors of the Company;
- considering the bonuses of the Executive Directors of the Company for the year 2013; and
- making recommendations to the Board on the directors' fee of the Non-executive Directors of the Company for the year 2014.

Details of remuneration paid to Directors and senior management for the year are set out in note 16 to the consolidated financial statements.

## BOARD COMMITTEES (continued)

### Investment Committee

An Investment Committee of the Board was established in July 2009 with specific written terms of reference which deal clearly with its authorities and duties.

Pursuant to the terms of reference, the Investment Committee comprises all Executive Directors and two Non-executive Directors of the Company (amongst the two Non-executive Directors, at least one must be an Independent Non-executive Director).

During the year, one physical meeting of the Investment Committee was held and the attendances of the members of the Investment Committee are as follows:

| Committee members | Number of meeting(s) attended/eligible to attend |
|---|---|
| Mung Kin Keung *(chairman of the committee)* | 1/1 |
| Li Shaofeng | 1/1 |
| Li Tongshuang *(appointed as a member on 24 October 2013)* | 1/1 |
| Mung Bun Man, Alan *(appointed as a member on 24 October 2013)* | 1/1 |
| Leung Shun Sang, Tony | 1/1 |
| Leung Kai Cheung | 1/1 |
| Chau Chit *(ceased to act as a member from 24 October 2013)* | 0/0 |

The major work performed by the Investment Committee during the year was to follow up the progress on the disinvestment by the Group.

## COMPANY SECRETARY

The Company Secretary supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is also responsible for advising the Board through the Chairmen and/or the Managing Director of the Company on corporate governance and the implementation of the CG Code. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affairs.

The Company Secretary reports to the Chairmen and the Managing Director. All Directors also have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations, are followed. The selection, appointment and dismissal of the Company Secretary is subject to the Board approval.

The Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training during the year.

## INTERNAL CONTROL

The Board is of the opinion that sound internal control systems will contribute to the effectiveness and efficiency of operations of the Group and to the safeguard of the Group's assets as well as the shareholders' investment.

The Board is responsible for overall ensuring, maintaining and overseeing the internal control systems of the Group. The Executive Committee helps the Board to discharge its responsibilities of ensuring and maintaining sound internal control functions by continuously reviewing and monitoring the internal control systems and processes so as to ensure that they can provide reasonable assurance against material errors of the Group.

The internal control system is embedded within the business processes so that it functions as an integral part of the overall operations of the Group. The system comprises a comprehensive organization structure with assignment of definite accountabilities and delegation of the corresponding authorities to each post. Based on the organization structure, a reporting system has been developed which includes a reporting system from division head of each principal business unit to the Executive Committee.

Business plan and budget are prepared by the division head of each principal business unit annually. In preparing the business plans and budgets, the management identifies and evaluates any potential risks. Measures will be put in place with an aim to ultimately manage, control or lessen such risks.

The business plans and budgets are subject to review and approval by the Executive Committee. The Executive Committee reviews monthly management report on the operational and financial results of each principal business unit and measures the actual performance of the Group against the business plan and budget concerned. In this course, the Executive Committee also reviews and assesses the effectiveness of all material controls and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Executive Committee holds periodical meetings with the senior management of each principal business unit to, amongst other matters, address the issues in such controls, identify areas of improvement and put the appropriate measures in place.

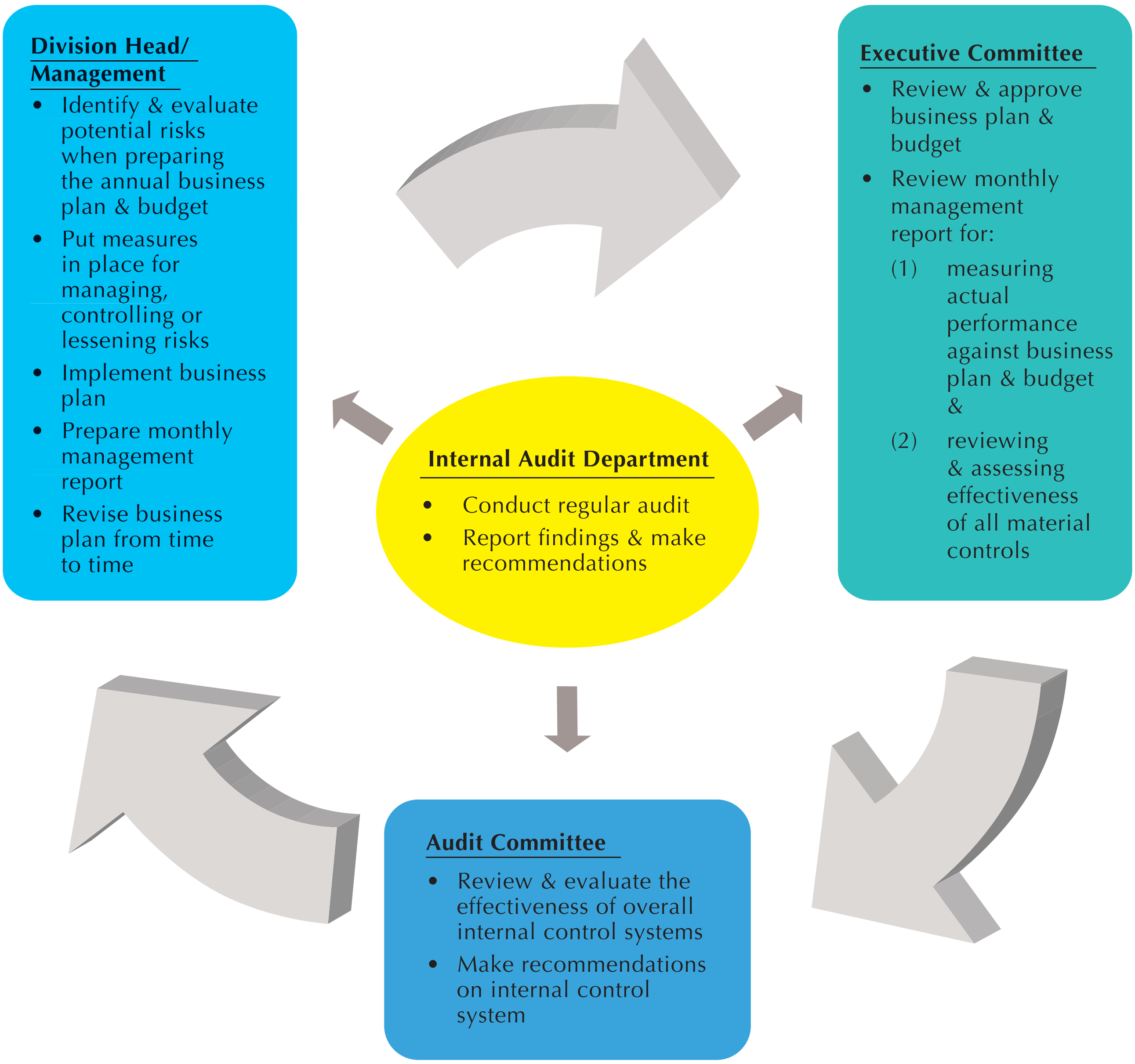
The internal control system of the Group is documented and if any revision is required, such information will be submitted to the Audit Committee for evaluation.

The Audit Committee assists the Board to fulfill its oversight role over the Group's internal control function by reviewing and evaluating the effectiveness of the overall internal control systems.

## INTERNAL CONTROL (continued)

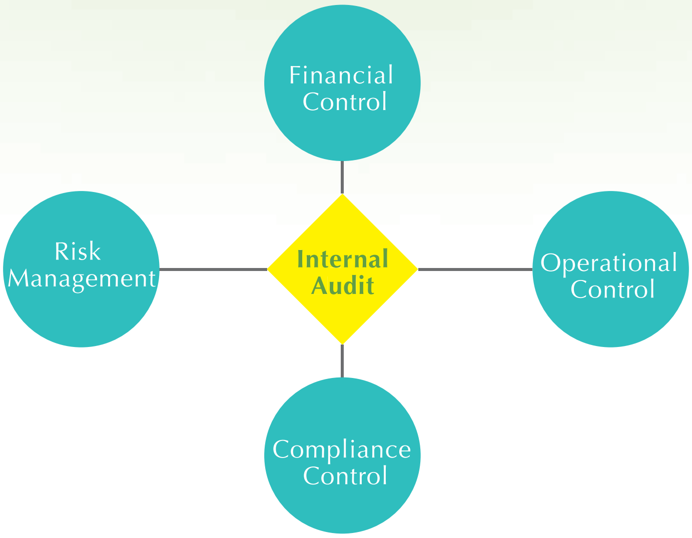
The Company set up an Internal Audit Department in October 2012 which assists the Board and the Audit Committee to discharge its duties in internal control aspect. The Internal Audit Department, which is independent to the operational departments of the Group, is responsible for conducting regular audits on the major activities of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls as well as risk management, are in place and functioning effectively. The Internal Audit Department reports to the Board and the Audit Committee with its findings and makes recommendations to improve the internal control systems of the Group.

### Internal Control System



## INTERNAL CONTROL (continued)

### Internal audit functions




The Board considers that it is an ongoing and continuous process for the Group to review and improve its internal control systems in order to ensure that they can meet with the dynamic and ever changing business environment. During the year under review, the Board has been, through the Executive Committee and the Audit Committee (with the assistance from the Internal Audit Department), continuously reviewing the effectiveness of the Group's internal control systems.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2013.

Employees who are likely to possess inside information in relation to the Company or its shares are required to prohibit from dealing in shares of the Company during the black-out period.

## AUDITOR'S REMUNERATION

During the year, the remuneration paid/payable to the Company's auditor, Deloitte Touche Tohmatsu, is set out as follows:

| Services rendered | *HK$'000* |
|---|---|
| Audit services | 3,000 |
| Non-audit services: | |
| Taxation | 89 |
| | 3,089 |

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis and in presenting the annual and interim reports and other financial disclosures required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the Group's position and prospects.

The statement of the auditor of the Company, Deloitte Touche Tohmatsu, about its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 51 to 52 of this annual report.

## COMMUNICATION WITH SHAREHOLDERS

On 22 March 2012, the Board adopted a Shareholders' Communication Policy reflecting the current practices of the Company for communication with its shareholders. Such policy aims at ensuring the shareholders of the Company are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders to engage actively with the Company.

To foster effective communications with the shareholders, the Company provides extensive information in its annual and interim reports and announcements. All shareholders' communications are also available on the Company's website at www.shougang-tech.com.hk.

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor is also available at the annual general meeting to address shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, members of the independent Board committee will also make an effort to attend to address shareholders' queries.

## COMMUNICATION WITH SHAREHOLDERS (continued)

The Chairman and the auditor of the Company, Deloitte Touche Tohmatsu, attended the annual general meeting of the Company held on 18 June 2013 (the "2013 AGM"). Details of the Directors' attendances at the 2013 AGM are as follows:

| **Directors (as at the date of 2013 AGM)** | **Attendance** |
|---|---|
| *Executive Directors* | |
| Li Shaofeng *(Chairman)* | ✓ |
| Mung Kin Keung | ✓ |
| Chau Chit | ✓ |
| *Non-executive Directors* | |
| Leung Shun Sang, Tony | ✓ |
| Lu Yeow Leong | X |
| *Independent Non-executive Directors* | |
| Wong Kun Kim | ✓ |
| Leung Kai Cheung | ✓ |
| Wong Wai Kwan | X |

During the year, all notices of general meetings despatched by the Company to its shareholders for meetings held were sent for annual general meeting at least 20 clear business days before the meeting and at least 10 clear business days for all other general meetings. Separate resolutions were proposed at general meetings on each substantially separate issue, including the election of individual Directors, and all resolutions put to the vote of a general meeting were taken by way of a poll. At the general meetings, the chairman of the meetings explained the procedures for conducting a poll and answered questions from shareholders on voting by poll, if any. The results of the poll were published on the websites of the Stock Exchange and the Company respectively.

## SHAREHOLDERS' RIGHTS

### Convene an extraordinary general meeting

Shareholder(s) representing at least 5% of the total voting rights of all shareholders of the Company having a right to vote at general meetings can request the Directors to call a general meeting pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The request must state the general nature of the business to be dealt with at the meeting, and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such request must be authenticated by the shareholder(s) making it and sent to the Company in hard copy form or in electronic form for the attention of the Company Secretary.

## SHAREHOLDERS' RIGHTS (continued)

### Put forward proposals at shareholders' meetings

Shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company or at least 50 shareholders who have a relevant right to vote at a general meeting can request the Company to circulate to the shareholders of the Company a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution or other business to be dealt with at that meeting pursuant to Section 580 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The expenses shall be borne by the shareholder(s) making the request unless the meeting concerned is an annual general meeting and the statement is received by the Company in time for sending with the notice of the meeting. The request must identify the statement to be circulated, and must be authenticated by the shareholder(s) making it and sent to the Company in hard copy form or in electronic form for the attention of the Company Secretary at least 7 days before the meeting to which it relates.

Shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company or at least 50 shareholders who have a right to vote on the resolution at an annual general meeting can request the Company to give to the shareholders of the Company notice of a resolution that may properly be moved and is intended to be moved at that meeting pursuant to Section 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The request must identify the resolution of which notice is to be given, and must be authenticated by the shareholder(s) making it and sent to the Company in hard copy form or in electronic form for the attention of the Company Secretary no later than 6 weeks before the annual general meeting to which the requests relate, or if later, the time at which notice of the meeting is given.

### Shareholders' enquiries

Specific enquiries or suggestions by shareholders can be sent in writing to the Board or the Company Secretary at our registered office or by email to our Company. In addition, shareholders can contact Tricor Tengis Limited, the share registrars of the Company, if they have any enquiries about their shareholdings and entitlement to dividend. Relevant contact details are set out on page 2 of this annual report.

## CONSTITUTIONAL DOCUMENTS

By an ordinary resolution passed by the shareholders of the Company at the 2013 AGM, the authorised share capital of the Company has been increased to HK$5,000,000,000 divided into 20,000,000,000 ordinary shares. The memorandum of association of the Company has been updated accordingly. Save as aforesaid, there is no change in the Company's constitutional documents during the year.

# REPORT OF THE DIRECTORS

The Directors herein present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries and associates are set out in notes 23 and 24 to the consolidated financial statements respectively.

## RESULTS

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Group at that date are set out in the financial statements on pages 53 to 173 of this annual report.

The Board of Directors of the Company does not recommend the payment of any dividend in respect of the year (2012: Nil).

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 174 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 36 to the consolidated financial statements.

## CONVERTIBLE LOAN NOTES

Details of movements in the Company's convertible loan notes during the year are set out in note 35 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on pages 59 to 60 of this annual report and in note 38 to the consolidated financial statements, respectively.

## DONATIONS

No charitable donation was made by the Group during the year (2012: Nil).

# REPORT OF THE DIRECTORS

## DIRECTORS

The Directors of the Company during the year were as follows:

| | |
|---|---|
| Li Shaofeng | |
| Mung Kin Keung | |
| Li Tongshuang | *(appointed on 24 October 2013)* |
| Mung Bun Man, Alan | *(appointed on 24 October 2013)* |
| Leung Shun Sang, Tony | |
| Leung Kai Cheung* | |
| Liem Chi Kit, Kevin* | *(appointed on 18 June 2013)* |
| Lam Kin Fung, Jeffrey* | *(appointed on 24 October 2013)* |
| Chau Chit | *(resigned on 24 October 2013)* |
| Lu Yeow Leong | *(resigned on 28 August 2013)* |
| Wong Kun Kim* | *(retired on 18 June 2013)* |
| Wong Wai Kwan* | *(resigned on 24 October 2013)* |

* *Independent Non-executive Directors*

In accordance with clauses 94 and 103(A) of the Company's articles of association, Messrs. Li Shaofeng, Li Tongshuang, Leung Shun Sang, Tony and Leung Kai Cheung will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

## DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## MANAGEMENT CONTRACTS

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

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

The Directors of the Company who held office at 31 December 2013 had the following interests in the shares and underlying shares of the Company as at 31 December 2013 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

### Long positions in the shares and underlying shares of the Company

| | | Number of shares/underlying shares in the Company | | | |
|---|---|---|---|---|---|
| **Name of Director** | **Capacity in which interests were held** | **Interests in shares** | **Derivative interests*** | **Total interests** | **Total interests as to % of the issued share capital of the Company as at 31.12.2013** |
| Li Shaofeng | Beneficial owner | – | 21,000,000 | 21,000,000 | 0.78% |
| Mung Kin Keung ("Mr. Mung") | Beneficial owner, interests of controlled corporations | 449,137,480& | 21,000,000 | 470,137,480 | 17.46% |
| Leung Shun Sang, Tony | Beneficial owner | 20,000,000 | 15,423,810 | 35,423,810 | 1.31% |
| Leung Kai Cheung | Beneficial owner | 1,714,000 | 1,800,000 | 3,514,000 | 0.13% |

* *The interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "2002 Scheme"). Upon exercise of the share options in accordance with the 2002 Scheme, ordinary shares in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Options Schemes" below.*

& *Mr. Mung, who is also a substantial shareholder of the Company, indicated in his disclosure form dated 28 January 2013 (being the latest disclosure form filed up to 31 December 2013) that as at 25 January 2013, his interests included 1,888,000 shares of the Company held by Mega Way International Ltd. ("Mega Way") and 447,249,480 shares of the Company held by China Review Property Group Limited ("China Review").*

*Mega Way was a wholly-owned subsidiary of Mastermind Capital Limited which was held as to 35.49% by China TianDiXing Logistics Holdings Limited ("China TianDiXing"). China TianDiXing was held as to 99.99% by Mr. Mung.*

*China Review was wholly-owned by Mr. Mung. The interest held by China Review is disclosed under the section headed "Interests and Short Positions of Shareholders Discloseable under the SFO" below.*

Save as disclosed above, as at 31 December 2013, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Schemes" herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, no Director has been recorded as having interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2013, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

### Long positions in the shares/underlying shares of the Company

| Name of shareholder | Capacity in which interests were held | Number of shares/ underlying shares | Interests as to % of the issued share capital of the Company as at 31.12.2013 | *Note(s)* |
|---|---|---|---|---|
| Shougang Holding (Hong Kong) Limited ("Shougang Holding") | Interests of controlled corporations | 401,559,220 | 14.91% | *1* |
| Asset Resort Holdings Limited ("Asset Resort") | Beneficial owner | 231,515,151 | 8.59% | *1* |
| Wheeling Holdings Limited ("Wheeling") | Beneficial owner | 170,044,069 | 6.31% | *1* |
| China Review | Beneficial owner | 447,249,480 | 16.61% | *2* |
| HNA Group (International) Company Limited | Beneficial owner | 691,100,000 | 25.67% | |
| Expert China Investments Limited | Beneficial owner | 157,544,000 | 5.85% | |
| Templeton Asset Management Ltd. | Investment manager | 193,749,999 | 7.19% | *3* |
| Link Chance Investment Limited | Beneficial owner | 200,000,000 | 7.42% | *4* |

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

### Long positions in the shares/underlying shares of the Company (continued)

*Notes:*

1. Shougang Holding indicated in its disclosure form dated 28 November 2012 (being the latest disclosure form filed up to 31 December 2013) that as at 27 November 2012, its interests included the interests held by Asset Resort and Wheeling respectively, both were wholly-owned subsidiaries of Shougang Holding.

2. China Review was wholly-owned by Mr. Mung, a Director of the Company, and its interest is disclosed as the interest of Mr. Mung under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

3. The interest was physically settled unlisted derivatives which were zero coupon convertible bonds due 2014 issued by the Company pursuant to the subscription agreement dated 13 May 2009 in the principal amount of US$15,000,000. The initial conversion price of the said convertible bonds is HK$0.60 per share (subject to adjustment).

4. The interest was physically settled unlisted derivatives which were 1.5% convertible bonds due 2014 issued by the Company pursuant to the subscription agreement dated 3 March 2011 with an aggregate principal amount of HK$360,000,000. The initial conversion price of the said convertible bonds is HK$0.45 per share (subject to adjustment).

Save as disclosed above, as at 31 December 2013, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

## SHARE OPTION SCHEMES

On 7 June 2002, the shareholders of the Company adopted the 2002 Scheme which would be valid for a period of ten years. On 25 May 2012, the shareholders of the Company approved the termination of the 2002 Scheme (to the effect that no further share option shall be granted by the Company under the 2002 Scheme) and the adoption of a new share option scheme (the "2012 Scheme"), which became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the 2012 Scheme. The share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

A summary of the principal terms of each of the 2002 Scheme and the 2012 Scheme is set out below:

### (a) The 2002 Scheme

The purpose of the 2002 Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries and/or its associated companies. The 2002 Scheme was adopted on 7 June 2002 and terminated on 29 May 2012.

Under the 2002 Scheme, the Directors may, at their discretion, offer directors (including executive and non-executive directors), executives, officers, employees or shareholders, of the Company or any of its subsidiaries or any of its associated companies, and any suppliers, customers, consultants, advisers, agents, partners or business associates who will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of the Company.

The total number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the 2002 Scheme is 174,603,810 which represents approximately 6.49% of the shares of the Company in issue as at the date of this annual report. Since the 2002 Scheme was terminated on 29 May 2012, no further options can be granted under the 2002 Scheme. However, the share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

Each of the grantees was required to pay HK$1.00 as a consideration for the grant of share options in accordance with the 2002 Scheme. The offer of share options must be accepted within 60 days from the date of the offer.

Save as disclosed above, there is no material difference in the terms, which shall be disclosed pursuant to Rule 17.09 of the Listing Rules, between the 2002 Scheme and the 2012 Scheme.

## SHARE OPTION SCHEMES (continued)

### (a) The 2002 Scheme (continued)

No share option was granted, exercised or cancelled in accordance with the terms of the 2002 Scheme during the year. Details of movements in the share options under the 2002 Scheme during the year are as follows:

| | Options to subscribe for shares of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Category or name of grantees | At the beginning of the year | Transferred to other category during the year | Transferred from other category during the year | Lapsed during the year | At the end of the year | Date of grant | Exercise period | Exercise price per share |
| **Directors of the Company** | | | | | | | | |
| Li Shaofeng | 21,000,000 | – | – | – | 21,000,000 | 14.12.2010 | 14.12.2010 – 13.12.2020 | HK$0.420 |
| Mung Kin Keung | 10,000,000 | – | – | – | 10,000,000 | 16.12.2009 | 16.12.2009 – 15.12.2019 | HK$0.596 |
| | 11,000,000 | – | – | – | 11,000,000 | 14.12.2010 | 14.12.2010 – 13.12.2020 | HK$0.420 |
| | 21,000,000 | – | – | – | 21,000,000 | | | |
| Chau Chit | 10,000,000 | (10,000,000) [1] | – | – | – | 22.01.2008 | 22.01.2008 – 21.01.2018 | HK$0.780 |
| | 8,750,000 | (8,750,000) [1] | – | – | – | 16.12.2009 | 16.12.2009 – 15.12.2019 | HK$0.596 |
| | 3,000,000 | (3,000,000) [1] | – | – | – | 14.12.2010 | 14.12.2010 – 13.12.2020 | HK$0.420 |
| | 21,750,000 | (21,750,000) | – | – | – | | | |
| Leung Shun Sang, Tony | 3,200,000 | – | – | (3,200,000) [3] | – | 14.03.2003 | 14.03.2003 – 13.03.2013 | HK$0.495 |
| | 423,810 | – | – | – | 423,810 | 19.01.2007 | 19.01.2007 – 18.01.2017 | HK$0.406 |
| | 15,000,000 | – | – | – | 15,000,000 | 22.01.2008 | 22.01.2008 – 21.01.2018 | HK$0.780 |
| | 18,623,810 | – | – | (3,200,000) | 15,423,810 | | | |
| Wong Kun Kim | 1,714,000 | (1,714,000) [2] | – | – | – | 19.01.2007 | 19.01.2007 – 18.01.2017 | HK$0.406 |
| | 1,800,000 | (1,800,000) [2] | – | – | – | 22.01.2008 | 22.01.2008 – 21.01.2018 | HK$0.780 |
| | 3,514,000 | (3,514,000) | – | – | – | | | |
| Leung Kai Cheung | 1,800,000 | – | – | – | 1,800,000 | 22.01.2008 | 22.01.2008 – 21.01.2018 | HK$0.780 |
| | 87,687,810 | (25,264,000) | – | (3,200,000) | 59,223,810 | | | |
| **Employees of the Group** | 4,000,000 | – | – | – | 4,000,000 | 18.03.2004 | 18.03.2004 – 17.03.2014 | HK$1.200 |
| | 79,000,000 | – | – | (44,500,000)[4] | 34,500,000 | 22.01.2008 | 22.01.2008 – 21.01.2018 | HK$0.780 |
| | 83,000,000 | – | – | (44,500,000) | 38,500,000 | | | |
| **Other participants** | 14,069,000 | – | – | (14,069,000)[3] | – | 14.03.2003 | 14.03.2003 – 13.03.2013 | HK$0.495 |
| | 11,982,000 | – | – | – | 11,982,000 | 18.03.2004 | 18.03.2004 – 17.03.2014 | HK$1.200 |
| | 10,434,000 | – | 1,714,000[2] | – | 12,148,000 | 19.01.2007 | 19.01.2007 – 18.01.2017 | HK$0.406 |
| | 29,200,000 | – | 11,800,000[1, 2] | – | 41,000,000 | 22.01.2008 | 22.01.2008 – 21.01.2018 | HK$0.780 |
| | – | – | 8,750,000[1] | – | 8,750,000 | 16.12.2009 | 16.12.2009 – 15.12.2019 | HK$0.596 |
| | – | – | 3,000,000[1] | – | 3,000,000 | 14.12.2010 | 14.12.2010 – 13.12.2020 | HK$0.420 |
| | 65,685,000 | – | 25,264,000 | (14,069,000) | 76,880,000 | | | |
| | 236,372,810 | (25,264,000) | 25,264,000 | (61,769,000) | 174,603,810 | | | |

## SHARE OPTION SCHEMES (continued)

### (a) The 2002 Scheme (continued)

*Notes:*

1. Mr. Chau Chit resigned as a Director of the Company on 24 October 2013. The Board approved the extension of the exercise periods for the share options held by Mr. Chau up to 21 January 2018, 15 December 2019 and 13 December 2020 respectively. Such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the year.

2. Mr. Wong Kum Kim retired as a Director of the Company from the conclusion of the annual general meeting of the Company held on 18 June 2013. The Board approved the extension of the exercise periods for the share options held by Mr. Wong up to 18 January 2017 and 21 January 2018 respectively. Such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the year.

3. The share options lapsed on 14 March 2013, being the expiry date of the relevant exercise period.

4. The share options were held by twelve grantees who ceased to be employees of the Group during the year and such share options lapsed on 1 September 2013, 1 November 2013 and 1 December 2013 respectively according to the terms of the 2002 Scheme.

### (b) The 2012 Scheme

The purpose of the 2012 Scheme is to replace the 2002 Scheme and to continue to enable the Company to grant share options to selected participants as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any entity in which any member of the Group holds any equity interest (the "Invested Entities"). The 2012 Scheme shall be valid and effective for the period of ten years commencing on 25 May 2012, being the date on which the 2012 Scheme was conditionally adopted by the shareholders of the Company, and ending on 25 May 2022 (both dates inclusive).

Under the 2012 Scheme, the Board may, at its discretion, offer full-time or part-time employees, executives, officers or directors (including executive and non-executive directors) of the Company or any of its subsidiaries or any of the Invested Entities, and any advisors, consultants, agents, suppliers, customers and distributors, who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries and/or any of the Invested Entities, share options to subscribe for shares of the Company.

## SHARE OPTION SCHEMES (continued)

### (b) The 2012 Scheme (continued)

No share option has been granted under the 2012 Scheme since its adoption. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the 2012 Scheme is 224,214,117, representing approximately 8.33% of the shares of the Company in issue as at the date of this annual report. The total number of shares of the Company issued and which may fall to be issued upon the exercise of share options to be granted under the 2012 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the number of shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, which would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant (a) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the grant; and (b) having an aggregate value of in excess of HK$5,000,000 (based on the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of each grant), such further grant of options shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting on a poll at which all connected persons of the Company shall abstain from voting in favour of the resolution concerning the grant of such options, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular. Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is required to be approved by the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the grantee of the options).

The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the 2012 Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of offer of any share options.

## SHARE OPTION SCHEMES (continued)

### (b) The 2012 Scheme (continued)

The exercise price in relation to each share option will be determined by the Board at its absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer of share options; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1.00 as a consideration for his acceptance of the grant of share options in accordance with the 2012 Scheme. The offer of share options must be accepted within 30 days from the date of the offer.

Share options to be granted under the 2012 Scheme do not confer rights on the holders to dividends or to vote at general meetings.

No share option has been granted under the 2012 Scheme since its adoption. Accordingly, as at 31 December 2013, there was no share option outstanding under the 2012 Scheme.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year.

## DISTRIBUTABLE RESERVES

At the end of the reporting period, the Company did not have any reserves available for distribution as calculated in accordance with the relevant provisions of the Companies Ordinance.

The Company's capital reserve represents a non-distributable reserve.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 48% of the total sales for the year and sales to the largest customer included therein amounted to approximately 19%. Purchases from the Group's five largest suppliers accounted for approximately 15% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 7%. None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers.

## CONNECTED TRANSACTION

The following connected transaction was recorded during the year and up to the date of this annual report:

On 7 January 2013, Sino Stride (HK) Limited ("Sino Stride HK"), a wholly-owned subsidiary of the Company, entered into a disposal agreement with Carrier Asia Limited ("Carrier Asia") pursuant to which Sino Stride HK agreed to sell 20% of the registered capital of Sinostride Technology Co. Ltd. ("Sinostride Technology") to Carrier Asia at a consideration of RMB58,300,000 (the "Disposal").

Pursuant to the terms of the new joint venture contract entered into amongst the shareholders of Sinostride Technology on 7 January 2013, Sino Stride HK has granted a call option to Carrier Asia under which Carrier Asia would have the right to require Sino Stride HK and/or its affiliates, at any time during the period from 1 January 2015 to 31 December 2017, to sell to Carrier Asia such percentage of its holding in Sinostride Technology to bring the total equity interest of Carrier Asia in the registered capital of Sinostride Technology to up to 75%.

The call option may be exercisable by Carrier Asia on any number of occasions, in whole or in part in respect of all or any part of the call option equity.

The price for the exercise of the call option would be the fair market value of the amount of the call option equity being purchased at the time the call option was exercised. The fair market value would be determined by Sino Stride HK and Carrier Asia, or if the parties were unable to agree on such value within 20 days of the date of notice for the exercise of the call option, the parties would jointly appoint a reputable accounting firm registered in the PRC to determine the value of the call option equity.

The sale of the call option equity to Carrier Asia is subject to (a) the approval of the Board; (b) the approval by the independent shareholder(s) of the Company (if it was so required by the Listing Rules); and (c) the Company not being regarded by the Stock Exchange as unsuitable for listing as a result of the sale of the call option equity.

The Group is principally engaged in the development and provision of system integration solutions, system design and sale of system hardware. Carrier Asia is a leading provider of heating, air-conditioning, and refrigeration solutions for commercial and other uses in Asia. The Disposal would enable Carrier Asia to have a greater stake in Sinostride Technology and in turn would strengthen the relationships between Carrier Asia and the Group and allow more rooms for development and cooperation.

Carrier Asia was a substantial shareholder of Sinostride Technology within the meaning of the Listing Rules and was a connected person of the Company. Accordingly, the Disposal constituted a connected transaction for the Company under the Listing Rules.

Details of the transaction were disclosed in the announcement and circular of the Company dated 7 January 2013 and 9 May 2013 respectively in accordance with Chapter 14 and Chapter 14A of the Listing Rules. The Disposal was completed during the year.

## CONNECTED TRANSACTION (continued)

As regards the transactions took place during the year as set out in note 47 to the consolidated financial statements under the heading of "Related Party Transactions" are concerned, the transactions as set out in notes (a)(i), (b)(i), (b)(ii) and (b)(iii) were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

As regards the transactions set out in note 47(c) to the consolidated financial statements under the heading of "Related Party Transactions" are concerned, the loan from a related company as set out in note 12 to the consolidated financial statements were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

The transactions set out in note 16 to the consolidated financial statements were the remuneration of the Directors as determined pursuant to the service contracts entered into between the Directors and the Company and the securities issued and to be issued upon exercise of options granted to the Directors under the 2002 Scheme of the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

The remaining transactions which took place during the year as set out under the heading of "Related Party Transactions" did not constitute connected transactions under the Listing Rules.

## CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 18 to 38 of this annual report.

## EVENT AFTER THE REPORTING DATE

Details of significant events occurring after the reporting date are set out in note 48 to the financial statements.

## AUDITOR

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

By Order of the Board
**Mung Kin Keung**
*Executive Chairman*

Hong Kong, 27 March 2014

Deloitte.
德勤

**TO THE MEMBERS OF**
**SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED**
**首長科技集團有限公司**
*(incorporated in Hong Kong with limited liability)*

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We were engaged to audit the consolidated financial statements of Shougang Concord Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 173, which comprise the consolidated and company statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

## BASIS FOR DISCLAIMER OF OPINION

As described in note 15 to the consolidated financial statements, the sales agreement entered into between the Group and Hong Kong Guang Hua Resources Investments Company Limited ("Guang Hua"), an independent third party, in relation to the disposal of certain subsidiaries of the Group (collectively referred as the "DTV Disposal Group") lapsed on 30 June 2013. The directors of the Company are now actively seeking for a potential buyer for the disposal of the DTV Disposal Group and consider the disposal transaction remains highly probable. The directors are of the view that the carrying amounts of the assets included in the DTV Disposal Group are measured in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs") taking into account of the potential disposal and are also confident that the recoverable amount of DTV Disposal Group in its entirety would not be less than the net assets value of the DTV Disposal Group included in consolidated statement of financial position as at 31 December 2013.

However, no formal sales agreement and valuation in relation to the DTV Disposal Group has been concluded as at the date of this report. In the absence of a formal sales agreement and an appropriate valuation performed as at 31 December 2013, we were unable to obtain sufficient information to assess whether certain assets included in the DTV Disposal Group are measured in accordance with applicable HKFRSs and whether the DTV Disposal Group in its entirely is measured at the lower of its net assets value and fair value less cost of disposal in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" issued by the HKICPA. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the carrying amounts of the assets included in the DTV Disposal Group as at 31 December 2013 were fairly stated. Any adjustment to the carrying amounts may have a consequential significant effect on the loss for the year and the net assets as at 31 December 2013.

As at 31 December 2013, there are amounts due from subsidiaries of HK$792,635,000 on the Company's statement of financial position. Due to the limitation as described above, we were unable to obtain sufficient appropriate audit evidence to assess whether the carrying amounts of these balances were fairly stated and to assess whether the classification of these amounts due from subsidiaries as current assets as at 31 December 2013 is appropriate.

## DISCLAIMER OF OPINION

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

## REPORT ON MATTERS UNDER SECTIONS 141(4) AND 141(6) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the DTV Disposal Group and the Company's amounts due from subsidiaries:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

- we were unable to determine where proper books of account had been kept.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong

27 March 2014

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

| | NOTES | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 8 | **281,402** | 309,348 |
| Cost of sales | | **(245,295)** | (265,332) |
| Gross profit | | **36,107** | 44,016 |
| Other income | 10 | **8,893** | 15,022 |
| Other expenses | | **(9,934)** | (10,519) |
| Other gains and losses | 11 | **(90,568)** | (123,675) |
| Selling and distribution costs | | **(10,241)** | (11,810) |
| Administrative expenses | | **(68,753)** | (81,926) |
| Finance costs | 12 | **(70,497)** | (89,945) |
| Loss before tax | | **(204,993)** | (258,837) |
| Income tax expense | 13 | **(10,092)** | (11,358) |
| Loss for the year from continuing operations | 14 | **(215,085)** | (270,195) |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | 15(a)&(b) | **(140,345)** | (125,352) |
| Loss for the year | | **(355,430)** | (395,547) |
| **Other comprehensive income (expenses)** | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Exchange differences arising on translation of financial statements from functional currency to presentation currency | | **46,543** | 4,500 |
| Share of translation difference of associates | | **96** | 7 |
| | | **46,639** | 4,507 |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Available-for-sale investments | | | |
| Fair value loss on available-for-sale investments | | **(15,793)** | (35,227) |
| Reclassification adjustment for impairment loss recognised in respect of available-for-sale investments | | **15,793** | 35,227 |
| | | **–** | – |
| Other comprehensive income for the year | | **46,639** | 4,507 |
| Total comprehensive expense for the year | | **(308,791)** | (391,040) |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

| | NOTE | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|---|
| Loss for the year attributable to the owners of the Company | | | |
| – from continuing operations | | **(178,033)** | (254,276) |
| – from discontinued operations | | **(140,345)** | (125,352) |
| Loss for the year attributable to the owners of the Company | | **(318,378)** | (379,628) |
| Loss for the year attributable to non-controlling interests | | | |
| – from continuing operations | | **(37,052)** | (15,919) |
| | | **(355,430)** | (395,547) |
| Total comprehensive expense attributable to: | | | |
| Owners of the Company | | **(274,849)** | (375,212) |
| Non-controlling interests | | **(33,942)** | (15,828) |
| | | **(308,791)** | (391,040) |
| **Loss per share** | 18 | | |
| From continuing and discontinued operations | | | |
| Basic and diluted (HK cents) | | **(11.83)** | (16.59) |
| From continuing operations | | | |
| Basic and diluted (HK cents) | | **(6.61)** | (11.11) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

| | NOTES | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 19 | **11,552** | 11,496 |
| Goodwill | 20 | **–** | 70,188 |
| Intangible assets | 21 | **2,955** | 4,817 |
| Other receivables | 22 | **40,262** | 35,078 |
| Loan to an investee | 25 | **83,291** | 80,165 |
| Investments in associates | 24 | **2,563** | 2,467 |
| Available-for-sale investments | 25 | **7,639** | 23,232 |
| Club debentures | 26 | **700** | 700 |
| | | **148,962** | 228,143 |
| **Current assets** | | | |
| Inventories | 27 | **9,601** | 9,265 |
| Trade and bills receivables | 28(a) | **55,927** | 42,324 |
| Prepayments, deposits and other receivables | 28(b) | **125,768** | 103,851 |
| Amounts due from customers for contract work | 29 | **314,818** | 439,862 |
| Tax recoverable | | **693** | 53 |
| Pledged bank deposits | 31 | **24,101** | 292,864 |
| Bank balances and cash | 32 | **5,648** | 13,362 |
| | | **536,556** | 901,581 |
| Disposal group classified as held-for-sale | 15 | **1,383,952** | 1,418,587 |
| | | **1,920,508** | 2,320,168 |
| **Current liabilities** | | | |
| Trade and bills payables | 33(a) | **144,993** | 159,553 |
| Other payables, deposits received and accruals | 33(b) | **122,971** | 55,802 |
| Amounts due to customers for contract work | 29 | **–** | 1,775 |
| Convertible loan notes | 35 | **264,660** | 116,767 |
| Embedded derivative components of convertible loan notes | 35 | **24,914** | 16,144 |
| Tax liabilities | | **8,261** | 7,008 |
| Bank borrowings – due within one year | 34 | **128,012** | 421,915 |
| Financial guarantee liabilities | 45 | **2,283** | 6,566 |
| | | **696,094** | 785,530 |
| Liabilities associated with disposal group classified as held-for-sale | 15 | **489,132** | 506,921 |
| | | **1,185,226** | 1,292,451 |
| **Net current assets** | | **735,282** | 1,027,717 |
| **Total assets less current liabilities** | | **884,244** | 1,255,860 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

| | NOTES | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Convertible loan notes | 35 | – | 95,436 |
| Embedded derivative components of convertible loan notes | 35 | – | 38,143 |
| | | – | 133,579 |
| **Net assets** | | **884,244** | 1,122,281 |
| **Capital and reserves** | | | |
| Share capital | 36 | **673,035** | 673,035 |
| Reserves | | **128,172** | 394,767 |
| Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale | | **12,768** | 10,078 |
| Equity attributable to owners of the Company | | **813,975** | 1,077,880 |
| Non-controlling interests | | **70,269** | 44,401 |
| **Total equity** | | **884,244** | 1,122,281 |

The consolidated financial statements on pages 53 to 173 were approved and authorised for issue by the Board of Directors on 27 March 2014 and are signed on its behalf by:

**Mung Kin Keung**
*DIRECTOR*

**Li Tongshuang**
*DIRECTOR*

# STATEMENT OF FINANCIAL POSITION

At 31 December 2013

| | NOTES | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 19 | **849** | 38 |
| Investments in subsidiaries | 23 | **49,284** | 38,336 |
| Advances to subsidiaries | 23 | **346,724** | 345,783 |
| Club debentures | 26 | **700** | 700 |
| | | **397,557** | 384,857 |
| **Current assets** | | | |
| Prepayments, deposits and other receivables | | **538** | 1,727 |
| Amounts due from subsidiaries | 30 | **867,217** | 781,038 |
| Bank balances and cash | 32 | **702** | 295 |
| | | **868,457** | 783,060 |
| **Current liabilities** | | | |
| Other payables, deposits received and accruals | | **50,423** | 51,904 |
| Amounts due to subsidiaries | 30 | **105,502** | 94,295 |
| Convertible loan notes | 35 | **264,660** | 116,767 |
| Embedded derivative components of convertible loan notes | 35 | **24,914** | 16,144 |
| Financial guarantee liability | 45 | **–** | 863 |
| | | **445,499** | 279,973 |
| **Net current assets** | | **422,958** | 503,087 |
| **Total assets less current liabilities** | | **820,515** | 887,944 |
| **Non-current liabilities** | | | |
| Convertible loan notes | 35 | **–** | 95,436 |
| Embedded derivative components of convertible loan notes | 35 | **–** | 38,143 |
| | | **–** | 133,579 |
| **Net assets** | | **820,515** | 754,365 |

# STATEMENT OF FINANCIAL POSITION

At 31 December 2013

| | NOTES | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 36 | **673,035** | 673,035 |
| Reserves | 38 | **147,480** | 81,330 |
| **Equity attributable to owners of the Company** | | **820,515** | 754,365 |

**Mung Kin Keung**
*DIRECTOR*

**Li Tongshuang**
*DIRECTOR*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

| | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Capital redemption reserve HK$'000 (Note 38) | Other reserves HK$'000 (Note a) | Translation reserve HK$'000 | Capital reserve HK$'000 (Note 38) | Investment revaluation reserve HK$'000 | Share option reserve HK$'000 | Accumulated losses HK$'000 | Amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale HK$'000 (Note 15) | Sub-total HK$'000 | Attributable to non-controlling interests HK$'000 | Total HK$'000 |
| At 1 January 2012 | 560,535 | 667,544 | 2,084 | 360 | 77,457 | 53,690 | – | 38,938 | (227,577) | 32,651 | 1,205,682 | 54,068 | 1,259,750 |
| Loss for the year | – | – | – | – | – | – | – | – | (379,628) | – | (379,628) | (15,919) | (395,547) |
| Exchange difference arising during the year | – | – | – | – | 3,994 | – | – | – | – | 415 | 4,409 | 91 | 4,500 |
| Share of translation difference of associates | – | – | – | – | 7 | – | – | – | – | – | 7 | – | 7 |
| Fair value loss on available-for-sale investments | – | – | – | – | – | – | (35,227) | – | – | – | (35,227) | – | (35,227) |
| Reclassification adjustment on impairment loss recognised in respect of available-for-sale investments | – | – | – | – | – | – | 35,227 | – | – | – | 35,227 | – | 35,227 |
| Total comprehensive income (expense) for the year | – | – | – | – | 4,001 | – | – | – | (379,628) | 415 | (375,212) | (15,828) | (391,040) |
| Shares issued upon exercise of a convertible bond | 112,500 | 134,910 | – | – | – | – | – | – | – | – | 247,410 | – | 247,410 |
| Lapse/forfeiture of share options | – | – | – | – | – | – | – | (324) | 324 | – | – | – | – |
| Disposal of subsidiaries (Note 40) | – | – | – | – | (196) | – | – | – | 196 | – | – | 6,161 | 6,161 |
| Reserves released upon derecognition of disposal groups classified as held-for sale | – | – | – | – | – | – | – | – | 22,988 | (22,988) | – | – | – |
| At 31 December 2012 and 1 January 2013 | 673,035 | 802,454 | 2,084 | 360 | 81,262 | 53,690 | – | 38,614 | (583,697) | 10,078 | 1,077,880 | 44,401 | 1,122,281 |
| Loss for the year | – | – | – | – | – | – | – | – | (318,378) | – | (318,378) | (37,052) | (355,430) |
| Exchange difference arising during the year | – | – | – | – | 40,743 | – | – | – | – | 2,690 | 43,433 | 3,110 | 46,543 |
| Share of translation difference of associates | – | – | – | – | 96 | – | – | – | – | – | 96 | – | 96 |
| Fair value loss on available-for-sale investments | – | – | – | – | – | – | (15,793) | – | – | – | (15,793) | – | (15,793) |
| Reclassification adjustment on impairment loss recognised in respect of available-for-sale investments | – | – | – | – | – | – | 15,793 | – | – | – | 15,793 | – | 15,793 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

| | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Capital redemption reserve HK$'000 (Note 38) | Other reserves HK$'000 (Note a) | Translation reserve HK$'000 | Capital reserve HK$'000 (Note 38) | Investment revaluation reserve HK$'000 | Share option reserve HK$'000 | Accumulated losses HK$'000 | Amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale HK$'000 (Note 15) | Sub-total HK$'000 | Attributable to non-controlling interests HK$'000 | Total HK$'000 |
| Total comprehensive income (expense) for the year | – | – | – | – | 40,839 | – | – | – | (318,378) | 2,690 | (274,849) | (33,942) | (308,791) |
| Lapse of share options | – | – | – | – | – | – | – | (6,729) | 6,729 | – | – | – | – |
| Disposal of partial interest in a subsidiary (Note 41) | – | – | – | – | (8,081) | – | – | – | 20,240 | – | 12,159 | 59,810 | 71,969 |
| Income tax effect on disposal of partial interest in a subsidiary (Note 41) | – | – | – | – | – | – | – | – | (1,215) | – | (1,215) | – | (1,215) |
| At 31 December 2013 | 673,035 | 802,454 | 2,084 | 360 | 114,020 | 53,690 | – | 31,885 | (876,321) | 12,768 | 813,975 | 70,269 | 884,244 |

Note:

(a) Other reserves represent the aggregate amounts of surplus reserve fund and enterprise development fund.

Certain subsidiaries operating in the People's Republic of China (the "PRC") are required to transfer 5% of the profit after tax (as determined under the management of the relevant subsidiaries and in accordance with PRC generally accepted accounting principles) to the surplus reserve fund until the fund balance reaches 50% of the registered capital of those subsidiaries thereafter any further appropriation is optional and is determinable by the companies' boards of Directors. The reserve fund can be used to offset accumulated losses, expand the existing operations or convert into additional capital of the subsidiaries. No such transfer was made during both years.

These subsidiaries are also required to transfer 5% of the profit after tax (as determined under the management of the relevant subsidiaries and in accordance with PRC Generally Accepted Accounting Principles) to the enterprise development fund. The fund can only be used for development of the enterprise and is not available for distribution to shareholders. No such transfer was made during both years.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Loss for the year | **(355,430)** | (395,547) |
| Adjustments for: | | |
| Impairment loss in respect of goodwill | **70,188** | 4,668 |
| Impairment loss recognised (reversed) on prepayment and other receivables | **5,123** | (301) |
| Depreciation of property, plant and equipment | **105,704** | 99,576 |
| Income tax expense | **10,092** | 11,358 |
| Amortisation of financial guarantee contracts | **(9,245)** | – |
| Loss on issuing of financial guarantee contracts | **4,769** | 770 |
| Impairment loss on receivable in respect of other receivables | **–** | 13,400 |
| Reversal of impairment loss related to deferred consideration receivable from disposal of Remarkable (defined in note 9) | **–** | (6,167) |
| (Reversal of) write-down of inventories | **(996)** | 3,840 |
| Interest on convertible loan notes | **54,088** | 63,551 |
| Interest on bank borrowings | **40,969** | 47,082 |
| Interest on other borrowings | **1,028** | 4,077 |
| Amortisation of intangible assets | **23,854** | 23,885 |
| Impairment loss in respect of available-for-sales investments | **15,793** | 35,227 |
| Impairment loss in respect of trade receivables | **3,102** | 11,719 |
| Decrease in fair value of held-for-trading investments | **–** | 76 |
| Impairment loss in respect of amounts due from customers for contract work | **30,889** | 4,283 |
| (Gain) loss on fair value change of the derivative components of convertible loan notes | **(29,373)** | 68,507 |
| Loss (gain) on disposal of property, plant and equipment | **136** | (575) |
| Interest income | **(8,893)** | (15,266) |
| Increase in fair value of investment properties | **(2,073)** | (4,535) |
| Gain on disposal of subsidiaries, net | **–** | (7,685) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

| | NOTES | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| Operating cash flows before movements in working capital | | **(40,275)** | (38,057) |
| Decrease (increase) in inventories | | **1,022** | (9,174) |
| (Increase) decrease in trade and bill receivables | | **(16,633)** | 23,912 |
| (Increase) decrease in prepayments, deposits and other receivables | | **(43,562)** | 79,695 |
| Decrease in amounts due to customers for contract work | | **(1,775)** | – |
| Decrease (increase) in amounts due from customers for contract work | | **106,268** | (23,182) |
| Decrease in held-for-trading investments | | **–** | 2,414 |
| Increase in other payables, deposits received and accruals | | **9,086** | 4,430 |
| Decrease in trade and bills payables | | **(22,553)** | (62,591) |
| Cash used in operations | | **(8,422)** | (22,553) |
| Interest paid | | **(38,809)** | (48,668) |
| PRC Income Tax paid | | **(10,808)** | (5,977) |
| Receipt of tax refund | | **53** | 1,711 |
| Hong Kong Profits Tax paid | | **–** | (74) |
| **NET CASH USED IN OPERATING ACTIVITIES** | | **(57,986)** | (75,561) |
| **INVESTING ACTIVITIES** | | | |
| Purchases of property, plant and equipment | | **(27,730)** | (61,753) |
| Placement of pledged bank deposits | | **(23,733)** | (292,078) |
| Transfer as restricted bank deposit | | **(2,210)** | – |
| Shareholder loan to an investee | 25 | **–** | (80,165) |
| Repayment of other receivable from a third party | | **–** | 12,300 |
| Withdrawal of pledged bank deposits | | **300,228** | 341,168 |
| Net cash inflow on disposal of subsidiaries | 40(d) | **–** | 51,222 |
| Settlement of deferred consideration/consideration for disposal of subsidiaries in prior years | 40(b)&(d) | **7,400** | 120,475 |
| Deposit received from Guang Hua relating to disposal groups classified as held-for-sale | | **–** | 50,000 |
| Proceeds from disposal of property, plant and equipment | | **712** | 1,428 |
| Interest received | | **10,103** | 9,037 |
| **NET CASH FROM INVESTING ACTIVITIES** | | **264,770** | 151,634 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

| | NOTE | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **FINANCING ACTIVITIES** | | | |
| New bank loans raised | | **287,802** | 515,936 |
| Loan advance from a related party | | **92,647** | 116,400 |
| Loan advance from a shareholder | | **15,000** | – |
| Repayments of bank loans | | **(573,911)** | (608,038) |
| Repayment to a related party | | **(92,647)** | (170,720) |
| Repayment to a third party | | **–** | (22,140) |
| Repayment to a shareholder | | **(15,000)** | (17,000) |
| Proceeds from partial disposal of a subsidiary | 41 | **71,969** | – |
| **NET CASH USED IN FINANCING ACTIVITIES** | | **(214,140)** | (185,562) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(7,356)** | (109,489) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | | **13,555** | 123,262 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | | **(488)** | (218) |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | | **5,711** | 13,555 |
| Represent by: | | | |
| Bank balances and cash | | **5,648** | 13,362 |
| Cash and cash equivalents included in a disposal group held-for-sale | | **63** | 193 |
| | | **5,711** | 13,555 |

## 1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). HNA Group (International) Company Limited ("HNA International"), a company incorporated in Hong Kong with limited liability, Shougang Holding (Hong Kong) Limited ("Shougang HK"), a private company incorporated in Hong Kong and China Review Property Group Limited ("China Review"), a private company incorporated in British Virgin Islands, are substantial shareholders (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) of the Company. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the Company's annual report.

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 23 and 24, respectively.

The functional currency of the Company is Renminbi ("RMB"), as the Company mainly holds investments in subsidiaries whose operations are primarily in the PRC.

As the Company is listed in the Stock Exchange, for the convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollars ("HK$"), the presentation currency for the consolidated financial statements.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group had net current liabilities (excluding assets and liabilities associated with disposal group classified as held-for-sale) of approximately HK$159,538,000 as at 31 December 2013 of which approximately HK$128,012,000 were attributable to bank borrowings due within one year and approximately HK$264,660,000 were attributable to convertible loan notes payable within one year. The Company had net current liabilities excluding amount due from (to) subsidiaries of approximately HK$338,757,000 as at 31 December 2013 of which approximately HK$264,660,000 were attributable to convertible loan notes payable within one year. Taking into account the financial resources of the Group and the Company, including the Group's and the Company's unutilised banking facilities, the Group's and the Company's ability to renew or refinance the banking facilities upon maturity and financial support from two shareholders of the Company, HNA International and China Review, the directors of the Company (the "Directors") are of the opinion that the Group and the Company have sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these consolidated financial statements have been prepared on a going concern basis.

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

### Application of new and revised HKFRSs

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

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

In addition, the Group has applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* in advance of the effective date for the Group's financial year commencing on 1 January 2014.

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

#### *New and revised standards on consolidation, joint arrangements, associates and disclosures*

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance. HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of HKFRS 10 and HKFRS 12 is set out below.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### Application of new and revised HKFRSs (continued)

***Impact of the application of HKFRS 10***

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

The Directors made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) over the Group's investees in accordance with the requirements of HKFRS 10. The Directors concluded the application of HKFRS 10 in the current year has had no material effect on the amounts reported in these consolidated financial statements.

***Impact of the application of HKFRS 12***

HKFRS 12 is a new disclosure standard and is applicable to the Group's interests in subsidiaries and associates. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements in relation to the Group's non-controlling interest (please see note 23 for details).

***HKFRS 13 Fair Value Measurement***

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

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### Application of new and revised HKFRSs (continued)

#### *HKFRS 13 Fair Value Measurement (continued)*

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 7 and 15(a)(ii) for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

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

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### Application of new and revised HKFRSs (continued)

***Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets***

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU.

The Group has applied the amendments to HKAS 36 in advance of the effective date for the Group's financial year commencing on 1 January 2014. Accordingly, the recoverable amount of the Group's cash generating unit relating to intelligent information business had not been disclosed in these consolidated financial statements.

### New and revised HKFRSs issued but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2014.

2 Effective for annual periods beginning on or after 1 July 2014.

3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

4 Available for application – the mandatory effective date will be determined when outstanding phases of HKFRS 9 are finalised.

***HKFRS 9 Financial Instruments***

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### New and revised HKFRSs issued but not yet effective (continued)

***HKFRS 9 Financial Instruments (continued)***

Key requirements of HKFRS 9 are described as follows:

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial assets and financial liabilities as at 31 December 2013, the Directors do not anticipate that the adoption of HKFRS 9 will have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### New and revised HKFRSs issued but not yet effective (continued)

#### *HK(IFRIC) – Int 21 Levies*

HK(IFRIC) – Int 21 *Levies* addresses the issue of when to recognise a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The Directors do not anticipate that the application of HK (IFRIC) – Int 21 will have a significant impact on the Group's consolidated financial statements.

The Directors anticipate that the application of other new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### Basis of consolidation

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

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation (continued)

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

***Changes in the Group's ownership interests in existing subsidiaries***

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

### Business combinations

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.

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Business combinations (continued)

- liabilities or equity instruments related to 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 (see the accounting policy below); and

- assets (or disposal group) 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 identifiable 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 standard.

When 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.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

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

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

### Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost (including deemed capital contribution) less subsequent accumulated impairment loss, if any.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in associates

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

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

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

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

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Non-current assets held-for-sale

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

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude the non-current asset (or disposal group) from being classified as held-for-sale if the delay of the completion of sale is caused by events or circumstances beyond the Company's control and there is sufficient evidence that the Company remains committed to its plan to sell the non-current assets and disposal group.

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

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

### Revenue recognition

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

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

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

Service income is recognised when services are provided.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

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

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

***DTV business (defined below)***

Revenue generated from digital television ("DTV") technical solution and equipment business ("DTV business") comprises primarily the followings:

*Provision of services and leasing of DTV equipment*

Income from the provision of DTV technical services and leasing of DTV equipment is recognised based on the agreement entered by the Group and Guangdong Southern Yinshi Network Media Company Limited ("Southern Yinshi") for the entitlement to receive such income.

### Installation contracts

Where the outcome of a contract for the installation of network systems can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received included in other payables, deposits received and accruals. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment

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

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

Property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Leasehold land and buildings | Over the shorter of lease terms of land or 2% |
| Machinery, moulds and tools | 4% – 20% |
| Equipment, furniture and fixtures | 15% – 20% |
| Motor vehicles | 20% to $33^1/_3$% |
| Leasehold improvements | Over the shorter of lease terms or 4% |
| DTV equipment | 10% |

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

### Leasing

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

#### *The Group as lessor*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are obtained.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing (continued)

*The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

*Arrangement that contain a lease*

An arrangement contains a lease whereby the fulfilment of which is dependent on a specific asset and it conveys a right to use the asset in return for a payment or a series of payments. The Group assesses the classification of the lease as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to the assets have been transferred to the lessee. Leases in which the lessee does not guarantee any minimum lease payments and the entire rentals are contingent on the future amount of a factor that changes other than with the passage of time are classified as operating leases.

*Leasehold land and building*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

### Club debentures

Club debentures are stated at cost, less any identified impairment losses.

### Foreign currencies

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On the disposal of a group entity that is not a foreign operation, the exchange differences accumulated in equity relating to the translation of assets and liabilities of that group entity into presentation currency of the Group are transferred to accumulated losses.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

### Borrowing costs

All borrowing costs incurred for non-qualifying assets are recognised in profit or loss in the period in which they are incurred.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the condition attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related cost for which the grants are intended to compensate.

### Retirement benefits costs

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

### Taxation

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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

### Intangible assets

*Intangible assets acquired separately*

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

An intangible asset is derecognised, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

*Research and development expenditure*

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets (continued)

***Research and development expenditure (continued)***

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

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

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

### Inventories

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

### Financial instruments

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

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

***Financial assets***

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

*Effective interest method*

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

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

*Financial assets at FVTPL*

Financial assets at FVTPL represent financial assets held-for-trading. A financial asset is classified as held-for-trading if:

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

***Financial assets (continued)***

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item on the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 7c.

*Loans and receivables*

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

*Available-for-sale financial assets*

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

Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

*Impairment losses on financial assets*

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

***Financial assets (continued)***

*Impairment losses on financial assets (continued)*

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

***Financial assets (continued)***

*Impairment losses on financial assets (continued)*

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

***Financial liabilities and equity instruments***

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

*Equity instruments*

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

*Other financial liabilities*

Other financial liabilities (including trade and bills payables, other payables, amounts due to subsidiaries and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

*Effective interest method*

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

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

*Convertible loan notes contain debt and equity components*

The component parts of the convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial debt and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

***Financial liabilities and equity instruments (continued)***

*Convertible loan notes contain debt and equity components (continued)*

At the date of issue, the fair value of the debt component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the debt component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as convertible loan notes equity reserve will remain in convertible loan notes equity reserve until the option is exercised, in which case, the balance recognised in convertible loan notes equity reserve will be transferred to share premium). Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the debt and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

*Convertible loan notes contain debt component and derivative components*

The component parts of the convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative.

At the date of issue, both the debt and conversion option components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair values with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the debt and derivative components are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible loan notes using the effective interest method.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

*Written call option to non-controlling interest of a subsidiary*

Call option written to non-controlling interest, which will be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed amount of the shares in a subsidiary is classified as a derivative. In subsequent periods, the call option is measured at fair value with changes in fair value recognised in profit or loss.

*Embedded derivatives*

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value recognised in profit or loss.

*Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the Group and the Company are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

*Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Share-based payment transactions

***Equity settled share-based payment transactions***

*Share options granted to employees after 7 November 2002 and vested before 1 January 2005*

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

*Share options granted to employees after 7 November 2002 and vested on or after 1 January 2005*

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

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

*Share options granted to consultants*

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expense, a corresponding increase in equity (share option reserve) unless the goods or services qualify for recognition as assets.

### Impairment losses on tangible and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment losses on tangible and intangible assets other than goodwill (see accounting policy in respect of goodwill above) (continued)

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

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

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical judgment in applying accounting policies

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Critical judgment in applying accounting policies (continued)

#### *Classification for DTV business as disposal group held-for-sale*

DTV business continues to be classified as held-for-sale as at 31 December 2013 despite unexpected delay in completing the disposal during the current year. In making this judgment, the Directors considered the detailed conditions set out in Appendix B to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. As disclosed in note 15(a), the unexpected delay of the completion is caused by the delay of the Reform (as defined in note 15(a)). In view of the delay of the Reform is beyond the Group's control and the Group remains committed to its plan to sell the disposal group, the Directors are satisfied that classifying the DTV business as held-for-sale as at 31 December 2013 is appropriate.

### Key sources of estimation uncertainty

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

#### *Estimated impairment of trade and bills receivables/other receivables*

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2013, the carrying amount of trade and bills receivables from the continuing operations is HK$55,927,000, net of allowance for doubtful debts of HK$12,460,000 (2012: carrying amount of HK$42,324,000, net of allowance for doubtful debts of HK$40,748,000).

As at 31 December 2013, the carrying amount of other receivables from the continuing operations is HK$40,262,000, net of impairment of HK$3,918,000 (2012: carrying amount of HK$35,078,000, net of impairment of HK$3,918,000).

#### *Estimated impairment of property, plant and equipment and intangible assets included in the DTV Disposal Group*

The Group reviews the carrying values of its property, plant and equipment and intangible assets of DTV Disposal Group to determine whether there is any indication that those assets are impaired. If it is not possible to estimate the recoverable amounts of the property, plant and equipment and intangible assets individually, the management determines the recoverable amount of the CGU to which the property, plant and equipment and intangible assets belong. As at 31 December 2013, the carrying amounts of property, plant and equipment and intangible assets are HK$736,926,000 (2012: HK$785,573,000) and HK$372,734,000 (2012: HK$380,054,000) respectively.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Key sources of estimation uncertainty (continued)

***Estimated impairment of goodwill of intelligent information business***

Determining whether goodwill is impaired requires an estimation of the recoverable amount which is the higher of the value in use and fair value less costs to sell of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit relating to SST (defined and explained in note 20) and a discount rate of 15.4% (2012: 13.82%) in order to calculate the present value of the recoverable amount. Cash flows beyond the 5-year period are extrapolated using 3% (2012: 3%) steady growth rate. Where the future cash flows are less than expected or there is downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a material impairment loss may arise. As at 31 December 2013, the carrying amount of goodwill is Nil (net of accumulated impairment loss of HK$185,444,000) (2012: carrying amount of HK$70,188,000 net of accumulated impairment loss of HK$115,256,000). Details of the recoverable amount calculation are disclosed in note 20.

***Fair value of derivative financial instruments***

As described in note 35, the Directors use their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For embedded derivative components of the convertible loan notes, binomial model is used for valuation of the components which involves several key assumptions and estimates including share price volatility, dividend yield and risk free rate. As at 31 December 2013, the fair value of embedded derivative components of the convertible loan notes is HK$24,914,000 (2012: HK$54,287,000).

***Fair value of available-for-sale investments***

The Directors use their judgment in selecting an appropriate valuation technique for unlisted equity investments in available-for-sale investments not quoted in an active market. The valuation technique involves key estimation and inputs that are observable for the assets and liabilities held by the investee company, including fair value of its listed equity investments, which are quoted in an active market. As at 31 December 2013, the fair value of available-for-sale investments is HK$2,323,000 (2012: HK$18,116,000).

***Income taxes***

As at 31 December 2013, the Group had estimated unused tax losses of HK$631,439,000 (2012: HK$416,940,000) available for offset against future profits. No deferred tax assets have been recognised on such tax losses due to the unpredictability of future profit streams. The reliability of the deferred tax asset mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are more than expected, recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such recognition takes place.

## 6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings and convertible loan notes disclosed in notes 34 and 35 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

## 7. FINANCIAL INSTRUMENTS

### 7a. Categories of financial instruments

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| **THE GROUP** | | |
| **Continuing operations** | | |
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **219,565** | 489,640 |
| Available-for-sale financial assets | **7,639** | 23,232 |
| **Financial liabilities** | | |
| Embedded derivative components of convertible loan notes | **24,914** | 54,287 |
| Amortised cost | **633,986** | 838,629 |
| Financial guarantee liabilities | **2,283** | 6,566 |
| **Financial assets in disposal group classified as held-for-sale** | | |
| Loans and receivables (including cash and cash equivalents) | **206,709** | 190,375 |
| **Financial liabilities in disposal group classified as held-for-sale** | | |
| Amortised cost | **386,555** | 362,980 |
| **THE COMPANY** | | |
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **1,214,643** | 1,127,116 |
| **Financial liabilities** | | |
| Embedded derivative components of convertible loan notes | **24,914** | 54,287 |
| Amortised cost | **370,162** | 306,498 |
| Financial guarantee liability | **–** | 863 |

## 7. FINANCIAL INSTRUMENTS (continued)

### 7b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include available-for-sale investments, trade and bills receivables, other receivables, loan to an investee, advances to subsidiaries, amounts due from subsidiaries, pledged bank deposits, bank balances and cash, trade and bills payables, other payables, amounts due to subsidiaries, bank borrowings, convertible loan notes, embedded derivative components of convertible loan notes and financial guarantee contracts. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

***Market risk***

*(i) Currency risk*

Several subsidiaries of the Company under continuing operations have foreign currency sales and purchases. In addition, certain bank balances, borrowings, embedded derivative components of convertible loan notes and convertible loan notes of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk.

The transactions and balances relating to discontinued operations are transacted using RMB, the functional currency of the relevant group entities.

The Company's foreign currency risk exposure is mainly derived from bank balances, amounts due from (to) subsidiaries, embedded derivative components of convertible loan notes and convertible loan notes. The management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate.

## 7. FINANCIAL INSTRUMENTS (continued)

### 7b. Financial risk management objectives and policies (continued)

*Market risk (continued)*

*(i) Currency risk (continued)*

The carrying amounts of the Group's and the Company's foreign currencies denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Continuing operations** | | | | |
| **THE GROUP** | | | | |
| US$ | **118** | 1,135 | **161,427** | 403,131 |
| HK$ | **633** | 226 | **128,147** | 133,579 |
| **THE COMPANY** | | | | |
| US$ | **69** | 69 | **161,427** | 132,911 |
| HK$ | **1,214,574** | 1,127,047 | **233,649** | 227,874 |

Sensitivity analysis

The Group and the Company are mainly exposed to the effects of fluctuation in US$ and HK$.

The following table details the Group's and the Company's sensitivity to a 5% (2012: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2012: 5%) is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2012: 5%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss or increase in post-tax profit where RMB strengthen 5% (2012: 5%) against the relevant currencies. For a 5% (2012: 5%) weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the post-tax loss and the balances below would be negative.

## 7. FINANCIAL INSTRUMENTS (continued)

### 7b. Financial risk management objectives and policies (continued)

*Market risk (continued)*

*(i) Currency risk (continued)*

Sensitivity analysis (continued)

| | US$ | | HK$ | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **THE GROUP** | | | | |
| Decrease in post-tax loss (i) | **6,735** | 16,783 | **5,324** | 5,567 |
| **THE COMPANY** | | | | |
| Increase (decrease) in post-tax profit or decrease (increase) in post-tax loss (ii) | **6,737** | 5,546 | **(40,954)** | (37,540) |

(i) This is mainly attributable to the exposure outstanding on foreign currency denominated bank balances, bank borrowings and convertible loan notes at the end of the reporting period.

(ii) This is mainly attributable to the exposure outstanding on foreign currency bank borrowings, convertible loan notes and amounts due from/to subsidiaries at the end of the reporting period.

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

*(ii) Interest rate risk*

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings and fixed-rate convertible loan notes, whereas the Company's fair value interest rate risk relates primarily to fixed-rate convertible loan notes.

The Group's and Company's cash flow interest rate risk relates primarily to the fluctuation of market interest rate on certain variable-rate pledged bank deposits, certain variable-rate bank balances and certain variable-rate bank borrowings.

## 7. FINANCIAL INSTRUMENTS (continued)

### 7b. Financial risk management objectives and policies (continued)

***Market risk (continued)***

*(ii) Interest rate risk (continued)*

It is the Group's and the Company's policy to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to optimise the fair value and cash flow interest rate risk. The management considers that the cash flow interest rate risk arising from pledged bank deposits and bank balances is insignificant having regard to the stable trend in interest rates and thus no material fluctuation is anticipated in the near future.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2012: 50 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates on bank borrowings.

If interest rates on variable-rate bank borrowings had been 50 basis points (2012: 50 basis points) higher/lower and all other variables were held constant, the impact on profit or loss would be as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **THE GROUP** | | |
| **Continuing operations** | | |
| Increase in post-tax loss | **–** | 1,343 |
| **Discontinued operations** | | |
| Increase in post-tax loss | **1,273** | 1,176 |

## 7. FINANCIAL INSTRUMENTS (continued)

### 7b. Financial risk management objectives and policies (continued)

*Market risk (continued)*

*(iii) Other price risk*

Price risk on embedded derivatives components of the Convertible Bond (defined under note 35(a) and (b))

For the years ended 31 December 2013 and 2012, the Group and the Company are required to estimate the fair value of the derivative components of the Convertible Bond, including conversion option, early redemption option and compulsory conversion option, with changes in fair value to be recognised in the profit or loss as long as the Convertible Bond is outstanding. The fair value will be affected either positively or negatively, amongst others, by the changes in the Company's share price and share price volatility.

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 10% (2012: 10%) higher and lower in the share price of the Company and all other input variables of the valuation model were held constant.

| | **10% higher** | | **10% lower** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **THE GROUP** | | | | |
| **Continuing operations** | | | | |
| Increase (decrease) in post-tax loss | **9,817** | 10,507 | **(8,230)** | (9,171) |
| **THE COMPANY** | | | | |
| (Increase) decrease in post-tax profit or (decrease) increase in post-tax loss | **9,817** | 10,507 | **(8,230)** | (9,171) |

## 7. FINANCIAL INSTRUMENTS (continued)

### 7b. Financial risk management objectives and policies (continued)

***Market risk (continued)***

*(iii) Other price risk (continued)*

Sensitivity analysis (continued)

The following table details the Group's and the Company's sensitivity to a 10% (2012: 10%) higher and lower in the volatility of share price of the Company and all other input variables of the valuation model were held constant.

| | 10% higher | | 10% lower | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **THE GROUP** | | | | |
| **Continuing operations** | | | | |
| Increase (decrease) in post-tax loss | **2,545** | 4,985 | **(1,674)** | (4,199) |
| **THE COMPANY** | | | | |
| (Increase) decrease in post-tax profit or (decrease) increase in post-tax loss | **2,545** | 4,985 | **(1,674)** | (4,199) |

In management's opinion, the sensitivity analysis above is unrepresentative of the inherent price risk as the pricing model used in the valuation of these embedded derivatives involves multiple variables and certain variables are interdependent.

In addition, the Group is also exposed to equity price risk arising from its available-for-sale investments. In the opinion of Directors, a reasonably possible change in equity price would not have a material impact to the Group, therefore, no sensitivity analysis is presented.

***Credit risk***

As at 31 December 2013 and 2012, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to failure to discharge obligations by the counterparties and financial guarantees provided by the Group and the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the Company's and consolidated statement of financial position; and

- the amount of contingent liabilities in relation to the financial guarantee provided by the Group and the Company as disclosed in note 45.

## 7. FINANCIAL INSTRUMENTS (continued)

### 7b. Financial risk management objectives and policies (continued)

*Credit risk (continued)*

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

The credit risk on liquid funds of the Group and the Company is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group and the Company have limited credit risk for financial guarantee contracts. Management periodically monitors the financial position of each of its subsidiaries and third parties to ensure each subsidiary and the third parties is financially viable to settle the debts due to the banking facilities drawn from financial institutions.

The Group has concentration of credit risk in relation to the trade and bills receivables as approximately 76% (2012: 80%) of the total trade receivables (including those under disposal groups held-for-sale) as at 31 December 2013 was due from the Group's largest customer of the DTV technical solutions and equipment business. As at 31 December 2013 and 2012, the amount has been classified as held-for-sale as explained in note 15(a). The Group will monitor the level of exposures to ensure that follow up actions and/or corrective action are taken promptly to lower the risk exposure or to recover the overdue balances.

In addition, the Group has concentration of credit risk in respect of loan to an investee and other receivables. The management of the Group considers the credit risk is limited as the investee is a state-owned enterprise and the Developer (as defined in note 22) has strong financial position.

Other than the above, the Group does not have any other significant concentration of credit risks, with exposure spread over a large number of counterparties on trade and bill receivables.

The Company has concentration of credit risk in relation to the advances to subsidiaries/amounts due from subsidiaries as at 31 December 2012 and 2013. The Company will monitor the level of exposures to ensure that follow up actions and/or corrective action are taken promptly to lower the risk exposure or to recover the overdue balances.

## 7. FINANCIAL INSTRUMENTS (continued)

### 7b. Financial risk management objectives and policies (continued)

***Liquidity risk***

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

The Group and the Company rely on bank borrowings as significant source of liquidity. As at 31 December 2013, the Group has available unutilised short-term facilities of approximately HK$176 million (2012: HK$62 million). The Directors are of the view that the banking facilities could be renewed based on historical experience that the Group has not encountered any difficulties to obtain banking facilities. In addition, the Group is financially supported by two substantial shareholders of the Company, HNA International and China Review, to maintain the Group's and the Company's liquidity.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted cash flows are estimated by using interest rate at the end of the reporting period.

*Liquidity and interest risk tables*

**THE GROUP**

Continuing operations

| | Weighted average effective interest rate % | Less than 3 months HK$'000 | 3 months to 1 year HK$'000 | 1-2 years HK$'000 | 2-5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.12.2013 HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | | |
| Trade and bills payables | – | 127,536 | 17,457 | – | – | – | 144,993 | 144,993 |
| Other payables | – | 96,321 | – | – | – | – | 96,321 | 96,321 |
| Bank borrowings (note 34) | | | | | | | | |
| – fixed rate | 6.70 | 46,513 | 84,210 | – | – | – | 130,723 | 128,012 |
| Convertible loan notes (note i) | | | | | | | | |
| – Loan notes denominated in HK$ (note 35(b)) | 14.49 | – | 112,962 | – | – | – | 112,962 | 108,565 |
| – Loan notes denominated in US$ (note 35(a)) | 33.60 | 174,913 | – | – | – | – | 174,913 | 156,095 |
| Financial guarantee contracts (note ii) | – | 76,884 | 19,221 | – | 30,113 | – | 126,218 | 2,283 |
| | | 522,167 | 233,850 | – | 30,113 | – | 786,130 | 636,269 |

## 7. FINANCIAL INSTRUMENTS (continued)

### 7b. Financial risk management objectives and policies (continued)

***Liquidity risk (continued)***

*Liquidity and interest risk tables (continued)*

**THE GROUP (continued)**

Continuing operations (continued)

| | Weighted average effective interest rate % | Less than 3 months HK$'000 | 3 months to 1 year HK$'000 | 1-2 years HK$'000 | 2-5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.12.2012 HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | | |
| Trade and bills payables | – | 140,329 | 19,224 | – | – | – | 159,553 | 159,553 |
| Other payables | – | 44,958 | – | – | – | – | 44,958 | 44,958 |
| Bank borrowings (note 34) | | | | | | | | |
| – fixed rate | 7.14 | 73,407 | 22,452 | – | – | – | 95,859 | 94,347 |
| – variable rate (note iii) | 3.35 | – | 332,327 | – | – | – | 332,327 | 327,568 |
| Convertible loan notes (note i) | | | | | | | | |
| – Loan notes denominated in HK$ (note 35(b)) | 14.49 | – | 1,688 | 112,962 | – | – | 114,650 | 95,436 |
| – Loan notes denominated in US$ (note 35(a)) | 33.60 | 161,296 | – | – | – | – | 161,296 | 116,767 |
| Financial guarantee contracts (note ii) | – | 19,733 | 107,297 | 5,180 | 14,553 | 1,850 | 148,613 | 6,566 |
| | | 439,723 | 482,988 | 118,142 | 14,553 | 1,850 | 1,057,256 | 845,195 |

Liabilities associates with disposal group classified as held-for-sale

| | **Weighted average effective interest rate %** | **Less than 3 months HK$'000** | **3 months to 1 year HK$'000** | **1-2 years HK$'000** | **2-5 years HK$'000** | **Total undiscounted cash flows HK$'000** | **Carrying amount at 31.12.2013 HK$'000** |
|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | |
| Trade and bills payables | **–** | **26,602** | **–** | **–** | **–** | **26,602** | **26,602** |
| Other payables | **–** | **20,408** | **–** | **–** | **–** | **20,408** | **20,408** |
| Bank borrowings | | | | | | | |
| – variable rate | **6.80** | **82,216** | **133,842** | **121,928** | **26,486** | **364,472** | **339,545** |
| | | **129,226** | **133,842** | **121,928** | **26,486** | **411,482** | **386,555** |

| | Weighted average effective interest rate % | Less than 3 months HK$'000 | 3 months to 1 year HK$'000 | 1-2 years HK$'000 | 2-5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.12.2012 HK$'000 |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| Trade and bills payables | – | 25,785 | – | – | – | 25,785 | 25,785 |
| Other payables | – | 23,592 | – | – | – | 23,592 | 23,592 |
| Bank borrowings | | | | | | | |
| – variable rate | 7.13 | – | 145,467 | 96,970 | 116,340 | 358,777 | 313,603 |
| | | 49,377 | 145,467 | 96,970 | 116,340 | 408,154 | 362,980 |

## 7. FINANCIAL INSTRUMENTS (continued)

### 7b. Financial risk management objectives and policies (continued)

***Liquidity risk (continued)***

*Liquidity and interest risk tables (continued)*

**THE COMPANY**

| | Weighted average effective interest rate % | Less than 3 months HK$'000 | 3 months to 1 year HK$'000 | 1-2 years HK$'000 | 2-5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.12.2013 HK$'000 |
|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | |
| Amounts due to subsidiaries | – | 105,502 | – | – | – | 105,502 | 105,502 |
| Convertible loan notes (note i) | | | | | | | |
| – Loan notes denominated in HK$ (note 35(b)) | 14.49 | – | 112,962 | – | – | 112,962 | 108,565 |
| – Loan notes denominated in US$ (note 35(a)) | 33.60 | 174,913 | – | – | – | 174,913 | 156,095 |
| Financial guarantee contracts (note ii) | – | 88,416 | 166,454 | 84,572 | 301,130 | 640,572 | – |
| | | 368,831 | 279,416 | 84,572 | 301,130 | 1,033,949 | 370,162 |

| | Weighted average effective interest rate % | Less than 3 months HK$'000 | 3 months to 1 year HK$'000 | 1-2 years HK$'000 | 2-5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.12.2012 HK$'000 |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| Amounts due to subsidiaries | – | 94,295 | – | – | – | 94,295 | 94,295 |
| Convertible loan notes (note i) | | | | | | | |
| – Loan notes denominated in HK$ (note 35(b)) | 14.49 | – | 1,688 | 112,962 | – | 114,650 | 95,436 |
| – Loan notes denominated in US$ (note 35(a)) | 33.60 | 161,296 | – | – | – | 161,296 | 116,767 |
| Financial guarantee contracts (note ii) | – | 56,732 | 191,162 | 81,398 | 330,524 | 659,816 | 863 |
| | | 312,323 | 192,850 | 194,360 | 330,524 | 1,030,057 | 307,361 |

Notes:

i. The undiscounted cash flows of convertible loan notes represent the redemption amount at maturity date or the earliest date if the bondholder exercised the early redemption option, translated at the prevailing exchange rate at the end of reporting period on the assumption that there would be no conversion. The carrying amount of convertible loan notes denominated in HK$ represents the debt components carried at amortised cost with an effective interest rate of 14.49% (2012: 14.49%) whereas the carrying amount of convertible bond denominated in US$ represents the debt components carried at amortised cost with an effective interest rate of 33.60% (2012: 33.60%).

## 7. FINANCIAL INSTRUMENTS (continued)

### 7b. Financial risk management objectives and policies (continued)

***Liquidity risk (continued)***

*Liquidity and interest risk tables (continued)*

Notes: *(continued)*

ii. The undiscounted cash flow on financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full utilised guarantee amount if that amount is claimed by the counterparty to the guarantee upon default in repayment by the borrowers. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the Group fail to settle the scheduled repayment.

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

### 7c. Fair value

***Fair value of the Group's and the Company's material financial assets and financial liabilities that are measured at fair value on a recurring basis***

Some of the Group's material financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the fair value is observable.

**THE GROUP**

| Financial assets/ financial liabilities | Fair value as at 31 December 2013 | Fair value hierarchy | Valuation technique(s) and key inputs | Significant unobservable input(s) | Sensitivity |
|---|---|---|---|---|---|
| 1) Unlisted equity securities classified as available-for-sale investments | 19% equity interest in Success East Investment Limited ("Success East") engaged in investment in securities – HK$2,323,000 (Note 1) | Level 2 | Net assets value (note 1)<br>The key inputs are: Quoted bid prices in an active market and deposits placed with a broker | N/A | N/A |
| 2) Embedded derivative components of convertible loan notes (note 2) | Embedded derivative components of convertible loan notes – HK$24,914,000 in relation to the aggregate amount of Convertible Bond I – HK$5,332,000 and Convertible Bond II – HK$19,582,000 | Level 3 | Binomial method<br>The key inputs are: stock price, exercise price, volatility, dividend yield, risk free rate and option life | Volatility of 60% is applied in Convertible Bond I and Convertible Bond II by reference to the average of the Company and comparable companies' historical volatility | The higher the volatility in share price, the higher the change in fair value of embedded derivative components of convertible loan notes |

## 7. FINANCIAL INSTRUMENTS (continued)

### 7c. Fair value (continued)

***Fair value of the Group's and the Company's material financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)***

**THE COMPANY**

| Financial assets/ financial liabilities | Fair value as at 31 December 2013 | Fair value hierarchy | Valuation technique(s) and key inputs | Significant unobservable input(s) | Sensitivity |
|---|---|---|---|---|---|
| 1) Embedded derivative components of convertible loan notes (note 2) | Embedded derivative components of convertible loan notes – HK$24,914,000 in relation to the aggregate amount of Convertible Bond I – HK$5,332,000 and Convertible Bond II – HK$19,582,000 | Level 3 | Binomial method<br><br>The key inputs are: stock price, exercise price, volatility, dividend yield, risk free rate and option life | Volatility of 60% is applied in Convertible Bond I and Convertible Bond II by reference to the average of the Company and comparable companies' historical volatility | The higher the volatility in share price, the higher the change in fair value of embedded derivative components of convertible loan notes |

Notes:

1. Success East is incorporated in Hong Kong and principally involved in investment in securities. The Directors are of the opinion that the carrying amount of net assets value approximate to the fair values of available-for-sale investments as the major assets of Success East are listed securities which stated at fair value as at the end of the reporting period and deposits placed with a broker, while Success East has no material liabilities held at the end of the reporting period.

2. If the volatility to the valuation model was 10% higher or lower while all the other variables were held constant, the carrying amount of the embedded derivatives would increase by HK$2,545,000 or decrease by HK$1,674,000.

   In management's opinion, the sensitivity analysis above is unrepresentative as the pricing model used in the valuation of these embedded derivatives involves multiple variables and certain variables are interdependent.

   There were no transfers between levels of the fair value hierarchy during the year ended 31 December 2013.

## 7. FINANCIAL INSTRUMENTS (continued)

### 7c. Fair value (continued)

*Reconciliation of Level 3 fair value measurements of financial liabilities*

**THE GROUP AND THE COMPANY**

| | **Derivative components of convertible loan notes** HK$'000 |
|---|---|
| Carrying amount at 1 January 2012 | 63,567 |
| Conversion of convertible loan note into shares of the Company | (77,787) |
| Loss arising on changes of fair value | 68,507 |
| Carrying amount at 31 December 2012 | 54,287 |
| Gain arising on changes of fair value (note 11) | (29,373) |
| Carrying amount at 31 December 2013 | 24,914 |

The total gains or losses for the year included an unrealised gain of HK$29,373,000 relating to financial liabilities that are measured at fair value at the end of each reporting period. Such fair value gains are included in 'other gains and losses' (see note 11).

*Fair value of the Group's and the Company's financial assets and financial liabilities that are not measured at fair value on a recurring basis*

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. The fair values of debt components of Convertible Bond I and Convertible Bond II categorised on level 3 of the fair value hierarchy are derived using discounted cash flows at an appropriate debt yield from comparable bonds in the markets.

| | **THE GROUP AND THE COMPANY** | | | |
|---|---|---|---|---|
| | **31 December 2013** | | 31 December 2012 | |
| | **Carrying amount** **HK$'000** | **Fair Value** **HK$'000** | Carrying Amount HK$'000 | Fair Value HK$'000 |
| **Financial liabilities** | | | | |
| Convertible loan notes (note 35) | **264,660** | **271,366** | 212,203 | 232,564 |

The fair values of the debt components of Convertible Bond I and Convertible Bond II categorised as level 3 of the fair value hierarchy are determined assuming redemption on 11 April 2014 and 4 June 2014 respectively and using a debt yield of 16.83% by assuming the credit strength of the Company to be CCC equivalent.

## 7. FINANCIAL INSTRUMENTS (continued)

### 7c. Fair value (continued)

***Fair value of the Group's and the Company's financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)***

**THE GROUP AND THE COMPANY *(continued)***

In estimating the fair value of debt and derivative components of convertible loan notes, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the debt and derivative components of convertible loan notes. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. In determining the valuation assumptions and inputs, the Directors take into account the market-observable data as well as factors specific to the Group's convertible loan notes, as follows:

- Dividend yield – estimated based on the historical dividend yield of the Company at the end of the reporting period;
- Risk free rate – referenced to US Sovereign yield and HK Government Bond Face Value at the end of the reporting period; and
- Volatility – estimated based on the average of the Company and comparable companies' historical volatility.

For the Group's available-for-sale investments measured at fair value at the end of reporting period, the Group estimates the fair value based on fair value of underlying assets of the investees taking into account the availability of quoted bid price in an active market and deposits placed with a broker.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

## 8. REVENUE

Revenue represents the amounts received and receivable for installation contracts, sales of goods and services provided by the Group to outside customers, less discounts and sales related taxes. An analysis of the Group's revenue for the year from continuing operations is as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Continuing operations** | | |
| Installation contracts revenue | **217,506** | 272,792 |
| Provision of service | **15,581** | 18,836 |
| Sale of goods | **48,315** | 17,720 |
| | **281,402** | 309,348 |

## 9. SEGMENT INFORMATION

Information reported to the chief operating decision maker ("CODM"), being the Managing Director of the Company, for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Since the second half of 2012, information regarding the sales of light emitted diode products, have been provided separately to the CODM for the purposes of resource allocation and performance assessment. For segment reporting purpose, two operating segments, leasing of investment properties and sale of light emitted diode projects were aggregated and reported under "Others" for the year ended 31 December 2012.

For the year ended 31 December 2013, information relating to sales of light emitted diode products are presented separately. Consequently, comparative figures for the year ended 31 December 2012 have been re-presented to reflect the changes. The Group's reportable segments from continuing operations under HKFRS 8 are therefore intelligent information business and sales of light emitted diode products. Information reported under "Others" for the year ended 31 December 2012 are mainly attributable to leasing of investment properties which have been disposed of in the second half of 2012.

Since 2011, a reportable and operating segment namely the "DTV technical solutions and equipment business" was classified as a disposal group held-for-sale and included in discontinued operations as described in note 15. In addition, further loss incurred for disposal of Remarkable Mask Technology Company Limited ("Remarkable") in 2009 was also included in discontinued operations. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 15.

## 9. SEGMENT INFORMATION (continued)

### (a) Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

***For the year ended 31 December 2013***

*Continuing operations*

| | Intelligent information business HK$'000 | Sales of light emitted diode products HK$'000 | Total HK$'000 |
|---|---|---|---|
| **SEGMENT REVENUE** | | | |
| External sales | **277,386** | **4,016** | **281,402** |
| Segment (loss) profit | **(117,666)** | **606** | **(117,060)** |
| Unallocated income and gains | | | **6,580** |
| Unallocated expenses | | | **(42,072)** |
| Impairment loss recognised in respect of available-for-sale investments | | | **(15,793)** |
| Gain on fair value change of the derivative components of convertible loan notes | | | **29,373** |
| Finance costs | | | **(70,497)** |
| Amortisation of financial guarantee contracts | | | **9,245** |
| Loss on issuing of financial guarantee contracts | | | **(4,769)** |
| Loss before tax (continuing operations) | | | **(204,993)** |

## 9. SEGMENT INFORMATION (continued)

### (a) Segment revenue and results (continued)

***For the year ended 31 December 2012***

*Continuing operations*

| | Intelligent information business HK$'000 | Sales of light emitted diode products HK$'000 (restated) | Others HK$'000 (restated) | Total HK$'000 |
|---|---|---|---|---|
| **SEGMENT REVENUE** | | | | |
| External sales | 304,574 | 4,774 | – | 309,348 |
| Segment loss | (36,917) | (3,364) | (705) | (40,986) |
| Unallocated income and gains | | | | 20,009 |
| Unallocated expenses | | | | (51,020) |
| Decrease in fair value of held-for-trading investments | | | | (76) |
| Impairment loss recognised in respect of available-for-sale investments | | | | (35,227) |
| Gain on disposal of subsidiaries, net | | | | 7,685 |
| Loss on fair value change of the derivative components of convertible loan notes | | | | (68,507) |
| Finance costs | | | | (89,945) |
| Loss on issuing of financial guarantee contracts | | | | (770) |
| Loss before tax (continuing operations) | | | | (258,837) |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment loss represents the loss from each segment without allocation of bank interest income, certain gains and corporate expenses and those disclosed in the reconciliation above. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

There was no inter-segment sales in 2013 and 2012.

## 9. SEGMENT INFORMATION (continued)

### (b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

| | 2013<br>HK$'000 | 2012<br>HK$'000<br>(restated) |
|---|---|---|
| **Reportable segment assets** | | |
| Continuing operations | | |
| Intelligent information business | **557,301** | 709,457 |
| Sales of light emitted diode products | **4,275** | 7,424 |
| | **561,576** | 716,881 |
| Reconciliation of reportable segment total to group total: | | |
| Disposal group classified as held-for-sale and constituted discontinued operations – DTV technical solutions and equipment business (note 15) | **1,383,952** | 1,418,587 |
| | **1,945,528** | 2,135,468 |
| Unallocated assets: | | |
| Investments in associates | **2,563** | 2,467 |
| Loan to an investee | **83,291** | 80,165 |
| Bank balances and cash | **5,648** | 13,362 |
| Available-for-sale investments | **7,639** | 23,232 |
| Pledged bank deposits | **24,101** | 292,864 |
| Other unallocated assets | **700** | 753 |
| Consolidated assets | **2,069,470** | 2,548,311 |

## 9. SEGMENT INFORMATION (continued)

### (b) Segment assets and liabilities (continued)

| | 2013<br>HK$'000 | 2012<br>HK$'000<br>(restated) |
|---|---|---|
| **Reportable segment liabilities** | | |
| Continuing operations | | |
| Intelligent information business | **204,957** | 200,259 |
| Sales of light emitted diode products | **13,007** | 16,871 |
| | **217,964** | 217,130 |
| Reconciliation of reportable segment total to group total: | | |
| Liabilities associated with disposal group classified as held-for-sale and constituted discontinued operations - DTV technical solutions and equipment business (note 15) | **489,132** | 506,921 |
| | **707,096** | 724,051 |
| Unallocated liabilities: | | |
| Bank borrowings | **128,012** | 421,915 |
| Convertible loan notes (including embedded derivative components) | **289,574** | 266,490 |
| Financial guarantee liabilities | **2,283** | 6,566 |
| Tax liabilities | **8,261** | 7,008 |
| Deposit refundable to Guang Hua on termination of agreement | **50,000** | – |
| Consolidated liabilities | **1,185,226** | 1,426,030 |

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than investments in associates, bank balances and cash, available-for-sale investments, pledged bank deposits, loan to an investee and other unallocated assets; and

- all liabilities are allocated to operating segments other than borrowings, convertible loan notes, tax liabilities and financial guarantee liabilities and deposit refundable to Guang Hua on termination of agreement.

## 9. SEGMENT INFORMATION (continued)

### (c) Other segment information

***For the year ended 31 December 2013***

*Continuing operations*

| | Intelligent information business HK$'000 | Sales of light emitted diode products HK$'000 | Segment total HK$'000 |
|---|---|---|---|
| Amounts included in the measure of segment loss or segment assets: | | | |
| Capital expenditure (Note) | 3,462 | 16 | 3,478 |
| Depreciation of property, plant and equipment | 2,584 | 424 | 3,008 |
| Amortisation of intangible assets | 2,021 | – | 2,021 |
| Loss on disposal of property, plant and equipment | 136 | – | 136 |
| Reversal of write-down of inventories | – | (996) | (996) |
| Impairment loss in respect of amounts due from customers for contract work | 30,889 | – | 30,889 |
| Impairment loss in respect of prepayment | 5,123 | – | 5,123 |
| Impairment loss in respect of trade receivables | 3,102 | – | 3,102 |
| Interest income in respect of other receivables | (3,763) | – | (3,763) |
| Impairment loss recognised in respect of goodwill | 70,188 | – | 70,188 |

## 9. SEGMENT INFORMATION (continued)

### (c) Other segment information (continued)

***For the year ended 31 December 2012***

*Continuing operations*

| | Intelligent information business HK$'000 | Sales of light emitted diode products HK$'000 | Segment total HK$'000 |
|---|---|---|---|
| Amounts included in the measure of segment loss or segment assets: | | | |
| Capital expenditure (Note) | 2,545 | 9 | 2,554 |
| Depreciation of property, plant and equipment | 2,751 | 1,136 | 3,887 |
| Amortisation of intangible assets | 2,644 | – | 2,644 |
| (Gain) loss on disposal of property, plant and equipment | (682) | 107 | (575) |
| Write-down of inventories | – | 3,840 | 3,840 |
| Impairment loss in respect of amounts due from customers for contract work | 4,283 | – | 4,283 |
| Impairment loss in respect of other receivables | 13,400 | – | 13,400 |
| Impairment loss in respect of trade receivables | 11,719 | – | 11,719 |
| Interest income in respect of other receivables | (1,421) | – | (1,421) |
| Impairment loss recognised in respect of goodwill | – | 4,668 | 4,668 |

Note: Capital expenditure includes additions to property, plant and equipment and intangible assets but excludes those relating to discontinued operations.

### (d) Revenue from major products and services

The analysis of the Group's revenue from continuing operations from its major products and services has been disclosed in note 8.

## 9. SEGMENT INFORMATION (continued)

### (e) Geographical information

The Group's operations are located in Hong Kong and the PRC (country of domicile).

Information about the Group's revenue from continuing operations from external customers is presented based on where the goods or service delivered or provided. Information about its non-current assets is presented based on the geographical location of the assets as detailed below:

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| The PRC (country of domicile) | **281,402** | 309,348 | **16,871** | 88,911 |
| Hong Kong | **–** | – | **899** | 757 |
| | **281,402** | 309,348 | **17,770** | 89,668 |

Note: Non-current assets excluded those relating to discontinued operations and financial instruments.

### (f) Information about major customers

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

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Customer A[1] | **53,550** | – |

[1] Revenue from intelligent information business.

One single customer contributed over 10% of the total sales of the Group from continuing operations for the year ended 31 December 2013 (2012: contributed less than 10% of total sales).

## 10. OTHER INCOME

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Continuing operations** | | |
| Interest on bank deposits | **5,130** | 8,794 |
| Imputed interest income in respect of deferred consideration arising from disposal of Remarkable (note 15(b)) | **–** | 4,807 |
| Interest income in respect of other receivables (note 22) | **3,763** | 1,421 |
| | **8,893** | 15,022 |

## 11. OTHER GAINS AND LOSSES

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Gain (loss) on fair value change of the derivative components of convertible loan notes | 35 | **29,373** | (68,507) |
| (Loss) gain on disposal of property, plant and equipment | | **(136)** | 575 |
| Net foreign exchange (loss) gain | | **(706)** | 635 |
| Impairment loss in respect of other receivables | 22 | **–** | (13,400) |
| Impairment loss in respect of amounts due from customers for contract work | 29 | **(30,889)** | (4,283) |
| Decrease in fair value of held-for-trading investments | | **–** | (76) |
| Reversal of impairment loss in respect of deferred consideration receivable arising from disposal of Remarkable | 15(b) | **–** | 6,167 |
| Impairment loss in respect of trade receivables | 28 | **(3,102)** | (11,719) |
| Impairment loss recognised in respect of available-for-sale investments | 25 | **(15,793)** | (35,227) |
| Impairment loss recognised in respect of goodwill | 20 | **(70,188)** | (4,668) |
| Impairment loss recognised in respect of prepayment (Note) | | **(5,123)** | – |
| Gain on disposal of subsidiaries, net | 40(e) | **–** | 7,685 |
| Amortisation of financial guarantee contracts | 45 | **9,245** | – |
| Loss on issuing of financial guarantee contracts | 45 | **(4,769)** | (770) |
| Others | | **1,520** | (87) |
| | | **(90,568)** | (123,675) |

Note: During the year ended 31 December 2013, the Group has impaired a prepayment amounting to approximately HK$5,123,000 as the management considered that the possibility of utilising the prepayment through receipt of goods is no longer probable.

## 12. FINANCE COSTS

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| **Continuing operations** | | |
| Interest on: | | |
| Bank borrowings wholly repayable within five years | **15,381** | 22,317 |
| Convertible loan notes (note 35) | **54,088** | 63,551 |
| Loan from a related company | **912** | 3,906 |
| Loan from a shareholder | **116** | 33 |
| Others | **–** | 138 |
| | **70,497** | 89,945 |

## 13. INCOME TAX EXPENSE

| | 2013 | 2012 |
|---|---|---|
| | HK$'000 | HK$'000 |
| **Continuing operations** | | |
| Current tax: | | |
| Regions in the PRC other than Hong Kong | 3,774 | 1,472 |
| Underprovision in prior years: | | |
| Hong Kong | – | 21 |
| PRC Enterprise Income Tax ("EIT") | 6,318 | – |
| | 6,318 | 21 |
| Deferred tax (note 39) | | |
| Current year | – | 9,865 |
| | 10,092 | 11,358 |

No provision for Hong Kong Profits Tax has been made for both years as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards except that pursuant to the relevant laws and regulations in the PRC, a principal subsidiary of the Company is entitled to a 50% reduction in the applicable tax rate from 2010 to 2012. No specific deduction is entitled on the applicable tax rate for 2013.

A wholly-owned PRC subsidiary of the Group was granted certain tax benefits since 2008 to 2012 while the Directors have changed the operating plan since 2010 and shrunk its business afterwards. During the year ended 31 December 2013, the PRC tax authority disallowed the tax benefits previously granted to that subsidiary and an additional tax charge of RMB5,000,000 (approximately HK$6,318,000) was imposed in relation to prior years and charged to underprovision of tax in current year.

## 13. INCOME TAX EXPENSE (continued)

The tax expense for the year can be reconciled to the loss before tax from continuing operations as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Loss before tax (from continuing operations) | **(204,993)** | (258,837) |
| Tax at the domestic income tax rate of 25% | **(51,248)** | (64,709) |
| Tax effect of expenses not deductible for tax purposes | **50,673** | 53,314 |
| Tax effect of income not taxable for tax purposes | **(13,324)** | (5,095) |
| Utilisation of tax losses not recognised in previous years | **(569)** | – |
| Tax effect of tax losses not recognised | **11,630** | 16,032 |
| Effect of different tax rates of subsidiaries operating in Hong Kong | **2,640** | 1,853 |
| Reversal of deferred tax assets previously recognised | **–** | 9,865 |
| Capital gain tax on disposal of partial interest in a subsidiary (Note 41) | **3,268** | – |
| Underprovision in prior years | **6,318** | 21 |
| Others | **704** | 77 |
| Tax expense for the year (from continuing operations) | **10,092** | 11,358 |

## 14. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations has been arrived at after charging:

| | 2013 | 2012 |
|---|---|---|
| | HK$'000 | HK$'000 |
| **Continuing operations** | | |
| Staff costs, including Directors' remuneration | | |
| – Salaries, wages and other benefits | **44,875** | 45,483 |
| – Retirement benefit scheme contributions | **3,741** | 5,081 |
| Total staff costs | **48,616** | 50,564 |
| Depreciation of property, plant and equipment | **3,008** | 3,887 |
| Amortisation of intangible assets (included in cost of sales) | **2,021** | 2,644 |
| Total depreciation and amortisation | **5,029** | 6,531 |
| Auditor's remuneration | **2,542** | 2,578 |
| Cost of inventories recognised as expenses (including (reversal of) write-down of inventories of HK$(996,000) (2012: HK$3,840,000), net) | **2,715** | 8,386 |
| Contract costs recognised as expenses | **233,285** | 246,764 |
| Research and development costs (included in other expenses) | **5,953** | 10,519 |
| Penalties charged by PRC State Administration of Foreign Exchange (included in other expenses) (Note) | **3,981** | – |

Note: During the year ended 31 December 2013, a penalty charge of approximately HK$3,981,000 was imposed to the Group due to non-compliance of Regulations on Foreign Exchange System of PRC in relation to designate use of capital injection of a wholly-owned subsidiary in PRC and the amount was fully settled during the current year.

## 15. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

### (a) DTV Business

The loss for the year from the discontinued operations is analysed as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Revenue | **–** | 69,548 |
| Cost of sales | **(120,220)** | (112,660) |
| Gross loss | **(120,220)** | (43,112) |
| Other gains and losses | **11,022** | 4,235 |
| Other income | **1,649** | 3,188 |
| Administrative expenses | **(7,208)** | (6,908) |
| Finance costs | **(25,588)** | (24,765) |
| Loss before tax | **(140,345)** | (67,362) |
| Income tax expense | **–** | – |
| Loss for the year from discontinued operations and attributable to owners of the Company | **(140,345)** | (67,362) |

## 15. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

### (a) DTV Business (continued)

The assets and liabilities associated with disposal group classified as held-for-sale are analysed as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Property, plant and equipment | **736,926** | 785,573 |
| Investment properties | **49,329** | 45,453 |
| Goodwill | **14,200** | 13,667 |
| Intangible assets | **372,734** | 380,054 |
| Trade receivables | **180,122** | 173,361 |
| Prepayments and other receivables | **28,368** | 20,097 |
| Restricted bank balances (Note a) | **2,210** | – |
| Pledged bank balances | **–** | 189 |
| Bank balances and cash | **63** | 193 |
| Total assets classified as held-for-sale | **1,383,952** | 1,418,587 |
| Trade and bills payables | **26,602** | 25,785 |
| Other payables and accruals | **26,696** | 24,858 |
| Tax liabilities | **96,289** | 92,675 |
| Bank borrowings | **339,545** | 313,603 |
| Amounts due to group entities | **1,036,425** | 959,092 |
| Total liabilities associated with disposal group classified as held-for-sale | **1,525,557** | 1,416,013 |
| Deposit received from Guang Hua relating to disposal of DTV business (Note b) | **–** | 50,000 |
| Total liabilities associated with disposal group classified as held-for-sale | **1,525,557** | 1,466,013 |
| Less: Amounts due to group entities | **(1,036,425)** | (959,092) |
| Liabilities associated with disposal groups classified as held-for-sale | **489,132** | 506,921 |
| Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale | **12,768** | 10,078 |

For presentation in the consolidated statement of financial position as at 31 December 2013 and 2012 and segment information in note 9, the amount due to group entities amounting to HK$1,036,425,000 (2012: HK$959,092,000) has been excluded from the total liabilities associated with disposals group classified as held-for-sale.

## 15. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

### (a) DTV Business (continued)

Notes: (a) The restricted bank balance represent frozen money as ruled by the PRC court in respect of a legal proceeding between the Group and its supplier for services received.

(b) The deposit received from Guang Hua was reclassified from liabilities associated with DTV Disposal Group classified as held-for-sale to other payables as it is refundable to Guang Hua upon termination of agreement with Guang Hua as detailed below.

Cash flows for the year from the discontinued operations were as follows:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Net cash inflows from operating activities | **12,398** | 39,105 |
| Net cash outflows from investing activities | **(26,238)** | (53,192) |
| Net cash inflows from financing activities | **13,710** | 9,924 |
| Net cash outflows | **(130)** | (4,163) |

Loss for the year from discontinued operations has been arrived at after charging (crediting):

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Staff costs, including Directors' remuneration | | |
| – Salaries, wage and other benefits | **610** | 927 |
| – Retirement benefit scheme contributions | **80** | 125 |
| Total staff costs | **690** | 1,052 |
| Depreciation of property, plant and equipment | **102,696** | 95,689 |
| Amortisation of intangible assets | **21,833** | 21,241 |
| | **124,529** | 116,930 |
| Auditor's remuneration | **852** | 717 |
| Increase in fair value change of investment properties | **(2,073)** | (4,535) |
| Interest income | **–** | (244) |
| Reversal of impairment loss in respect of other receivables | **–** | (301) |
| Rental income from leasing of investment properties | **(1,390)** | (2,531) |
| Rental income from leasing of motor vehicle | **(259)** | (413) |
| Interest on bank borrowings wholly repayable within five years | **25,588** | 24,765 |
| Net foreign exchange gain | **(8,741)** | (672) |

## 15. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

### (a) DTV Business (continued)

*Reorganisation of DTV business model in November 2010*

As disclosed in the Group's consolidated financial statements for the years ended 31 December 2010, 2011 and 2012, the Group completed the reorganisation of business model of its DTV business on 8 November 2010. Under the arrangement with Southern Yinshi, the Group was responsible to provide its equipment to local DTV project companies and technical services to Southern Yinshi (the "2010 Arrangement"), which owns the operation rights in providing multi-media information services based on cabled DTV network in the Guangdong Province. In return, the Group was entitled to receive certain percentage of technical service fee income generated from Southern Yinshi and local DTV project companies for 20 years ("2010 Arrangement Income").

Since the commencement of 2010 Arrangement, all of the Group's DTV equipment and technical services have been provided and rendered to local DTV project companies for serving its cable television subscribers (collectively referred to as "Provision of DTV Technical Services and Leasing of DTV Equipment"). The arrangement conveys the right to use the DTV equipment to the local DTV project companies. On this basis, the management of the Group considered that the 2010 Arrangement contains leasing of equipment to local DTV project companies for 20 years.

*Centralisation of cable digital broadcasting networks since December 2011*

As disclosed in the Company's announcement dated 14 December 2011, the Company has been advised by Southern Media Corporation, a state-owned enterprise in the PRC, about the reorganisation of the cable digital broadcasting networks of Guangdong Province into one centralised network under one provincial broadcasting network company (the "Reform") which is led by the Steering Group on the Reform of Guangdong Cultural Structure (廣東省文化體制改革工作領導小組). Upon the completion of the Reform, the cable digital broadcasting networks of Guangdong Province will be ultimately owned and operated by Guangdong Broadcasting Network Co., Ltd. (廣東省廣播網絡有限公司) ("Guangdong Network"), a state-owned enterprise in the PRC. As a result, the Group is no longer able to operate the DTV business under the existing structure and is no longer entitled to the 2010 Arrangement Income. As a result of the Reform, the Group is required to exit the DTV business.

On 23 December 2011, the Group entered into a sales agreement with Guang Hua, an independent third party (the "Guang Hua Sales Agreement"), to dispose of its entire interest in South China Digital TV Holdings Limited, Yong Jiang Shi Yang Chun Yijiatong Information Technology Limited, Guangzhou Yijiatong Integrative Information Development Company Limited ("Yijiatong"), South China Digital Equipment Company Limited, and South China DTV Technology Development Limited (collectively referred as the "DTV Disposal Group") at a total proceeds of HK$1,350,000,000 (including settlement of balances with the group entities). These companies are the wholly-owned subsidiaries of the Group, which carried out the Group's DTV business. On 29 February 2012, the Group signed a supplemental agreement to revise the total proceeds from HK$1,350,000,000 to HK$1,420,000,000.

## 15. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

### (a) DTV Business (continued)

***Centralisation of cable digital broadcasting networks since December 2011 (continued)***

Based on the understanding of the management of the Group, the DTV Disposal Group will be eventually transferred by Guang Hua to Guangdong Network.

In the preparation of the Group's consolidated financial statements for the year ended 31 December 2011, the Directors determined that the sale is highly probable and the Group's subsidiaries operating DTV business are available for immediate sale. Based on the facts and circumstances as at 31 December 2011, the Directors expected the disposal to be completed upon obtaining the approval of Southern Yinshi and shareholders of the Company before 30 June 2012. Consequently, DTV business has been classified as discontinued operation and presented separately in consolidated statement of financial position at 31 December 2011.

***Delay in completion of disposal of DTV business in 2012 and 2013***

This transaction has been approved by the shareholders of the Company on 25 May 2012.

As detailed in the Company's announcement on 2 January 2013, the Group has still not obtained the approval from Southern Yinshi as at 31 December 2012. Guang Hua and the Group have agreed that the time for fulfilment or waiver of the aforesaid outstanding condition to be further extended to 30 June 2013 or such other date as may be further agreed with Guang Hua. Based on the facts and circumstances as at 31 December 2012, the management of the Group remained confident that the approval from Southern Yinshi will ultimately be obtained after the completion of the Reform and the delay in completing the disposal is caused by the delay in implementing the Reform. Although the expected completion date of the Reform is delayed, the policy about the Reform remains unchanged and the Reform is still in progress. Thus, the Directors considered the transaction remains highly probable and the DTV Disposal Group is still continued to be classified as held-for-sale in the consolidated statement of financial position as at 31 December 2012.

At 31 December 2012, the recoverable amount of the DTV Disposal Group, based on the estimated net proceeds from the disposal pursuant to the Guang Hua Sales Agreement, is expected to exceed the carrying amounts of the DTV Disposal Group and accordingly, no impairment loss has been recognised. As disclosed in the Company's announcement dated 2 July 2013, the approval from Southern Yinshi had not yet been obtained. The Group and Guang Hua could not agree upon extension of the time for fulfilment or waiver of such approval. As a result, the Guang Hua Sales Agreement lapsed on 30 June 2013.

Due to the delay in completing the disposal, the Directors initiated discussion with Guangdong Network and are now actively seeking for a potential buyer for the disposal of the DTV Disposal Group. In current year, Guangdong Network, Yijiatong and another state-owned enterprise jointly engaged a valuer in the PRC to perform valuation of the DTV Disposal Group. There is no formal sales agreement and no valuation of the DTV Disposal Group has been concluded as at the date these consolidated financial statements were authorised for issuance. The Directors are still committed to sell the DTV Disposal Group and consider the disposal transaction remains highly probable as the policy of the Reform remains unchanged and Reform is still ongoing. Therefore, the DTV Disposal Group is continued to be classified as held-for-sale in the consolidated statement of financial position as at 31 December 2013.

## 15. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

### (a) DTV Business (continued)

***Delay in completion of disposal of DTV business in 2012 and 2013 (continued)***

As at 31 December 2013, the net assets value of the DTV Disposal Group included in the consolidated financial statements (the "Net Assets Value of the DTV Disposal Group") amounted to HK$894,820,000 and the Directors are confident that the recoverable amount of the DTV Disposal Group would not be less than the Net Assets Value of the DTV Disposal Group.

***(i) Property, plant and equipment***

For the year ended 31 December 2013, DTV Disposal Group acquired property, plant and equipment of approximately HK$24,252,000 (2012: HK$63,504,000) to operate its DTV business.

The Group assessed the impairment of its properties by comparing the fair values of its properties against its carrying amounts. The fair values of the DTV business properties at 31 December 2013 and 2012 have been arrived at on the basis of a valuation carried out on that date by Messrs. Guangdong Junghua Assets & Real Estate Appraisal Co., Ltd. ("Guangdong Junghua"). Guangdong Junghua is a member of China Appraisal Society and its address is Room 107, No. 747, Dongfeng Road East, Guangzhou City, Guangdong, PRC. Guangdong Junghua is an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and condition. As the fair values of the properties are higher than the carrying amounts, no impairment loss has been recognised. The Group has not provided for impairment loss of the remaining items of property, plant and equipment as the amount will be recovered in full through the recoverable amount of DTV Disposal Group which is expected to be higher than the Net Assets Value of the DTV Disposal Group.

***(ii) Investment properties at fair value***

| | HK$'000 |
|---|---|
| At 1 January 2012 | 40,794 |
| Increase in fair value recognised in profit or loss | 4,535 |
| Exchange adjustment | 124 |
| At 31 December 2012 | 45,453 |
| Increase in fair value recognised in profit or loss | 2,073 |
| Exchange adjustment | 1,803 |
| At 31 December 2013 | 49,329 |

The fair values of the DTV business investment properties at 31 December 2013 and 2012 have been arrived at on the basis of a valuation carried out on that date by Messrs. Guangdong Junghua. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and condition.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use. All of the DTV business investment properties are classified as level 2 of the fair value hierarchy. The valuation technique is based on the open market value by reference to recent market transactions for comparable properties and the key input is the price per square meter which there is no significant unobservable input.

All of the DTV business property interests held under medium-term lease in the PRC to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

## 15. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

### (a) DTV Business (continued)

*Delay in completion of disposal of DTV business in 2012 and 2013 (continued)*

*(iii) Intangible assets*

The intangible assets in the DTV Disposal Group represent contract acquisition costs for the payment to DTV operator in Guangdong Province for acquiring the rights to provide technical services and equipments. The contract acquisition costs are amortised over the terms of the contract of 20 years on a straight-line basis.

The Group assessed the impairment of its intangible assets. In the circumstance that the DTV Disposal Group is sold, the intangible assets will still be valid for 20 years in accordance with the contract signed with the DTV operator in Guangdong Province. As the amount will be recovered in full through the recoverable amount of DTV Disposal Group which is expected to be higher than the Net Assets Value of the DTV Disposal Group, the management determined that there is no impairment loss recognised.

*(iv) Trade receivables*

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

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| 181 – 365 days | **–** | 69,780 |
| 1 – 2 years | **72,502** | 103,581 |
| Over 2 years | **107,620** | – |
| | **180,122** | 173,361 |

Included in the trade receivables balance classified as assets held-for-sale are debtors with an aggregate carrying amount of approximately HK$180,122,000 (2012: HK$173,361,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as the amounts are still considered recoverable as the amount will be recovered in full through the recoverable amount of DTV Disposal Group which is expected to be higher than the Net Assets Value of the DTV Disposal Group. The Group does not hold any collateral over these balances.

*Aging of trade receivables which are past due but not impaired*

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| 181 – 365 days | **–** | 69,780 |
| 1 – 2 years | **72,502** | 103,581 |
| Over 2 years | **107,620** | – |
| Total | **180,122** | 173,361 |

The trade receivables are all denominated in functional currencies of respective group entities in both years.

## 15. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

### (a) DTV Business (continued)

#### *(v) Trade and bills payables*

An aged analysis of the trade and bills payables associated with disposal group classified as held-for-sale at the end of reporting period based on the invoice date is as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 – 90 days | **24,942** | 21,651 |
| 91 – 180 days | **–** | 980 |
| 181 – 365 days | **1,254** | 2,542 |
| 1 – 2 years | **401** | 607 |
| Over 2 years | **5** | 5 |
| | **26,602** | 25,785 |

At 31 December 2012, bank deposits of HK$189,000 were pledged to banks to secure bills payable granted to the disposal group as disclosed in note 31.

The trade and bills payables associated with disposal group classified as held-for-sale are all denominated in functional currencies of respective entities in both years.

#### *(vi) Bank borrowings*

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Bank borrowings | **339,545** | 313,603 |
| Secured | **102,486** | 44,744 |
| Unsecured | **237,059** | 268,859 |
| | **339,545** | 313,603 |
| Carrying amount repayable: | | |
| Within one year (Note 1) | **198,975** | 123,675 |
| More than one year, but not exceeding two years | **114,942** | 83,864 |
| More than two years, but not exceeding five years | **25,628** | 106,064 |
| | **339,545** | 313,603 |

## 15. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

### (a) DTV Business (continued)

#### *(vi) Bank borrowings*

Note 1:

During the year ended 31 December 2013, the Group skipped a payment in accordance with the repayment schedule of a bank loan amounted to HK$102,486,000. Based on the initial repayment term, amount of HK$31,112,000 was due for repayment in 2013 and the remaining HK$2,563,000 and HK$68,811,000 was repayable in 2014 and 2015 respectively. As agreed with the relevant bank subsequent to end of the reporting period and in accordance to the revised repayment term, amount of HK$72,117,000, HK$25,628,000 and HK$4,741,000 are repayable in 2014, 2015 and 2016 respectively. This bank loan is secured by investment properties of HK$49,329,000 (2012: HK$45,453,000) and buildings of HK$11,106,000 (2012: HK$10,903,000) as disclosed in note 31.

The bank borrowings associated with disposal group classified as held-for-sale are variable rate borrowings carrying interest at two to five years benchmark interest rate of The People's Bank of China with 0% – 20% (2012: 0% – 20%) mark up.

The effective interest rates (which are also equal to contracted interest rates) on these borrowings ranged from 6.55% to 9.31% (2012: 6.84% to 9.31%) per annum.

During the year ended 31 December 2013, the Group obtained new loans associated with DTV Disposal Group classified as held-for-sale of HK$68,811,000 (2012: HK$2,467,000), which are guaranteed by the Company. The loans carry interest at two to three years benchmark interest rate of the People's Bank of China with 20% (2012: 20%) mark up, which will be repayable in 2015 (2012: repayable in 2014).

The borrowings of the disposal group are all denominated in functional currencies of respective group entities in both years.

### (b) Photomask Business

On 27 April 2009, a subsidiary of the Company entered into a sale agreement to dispose of its entire interest in Remarkable, a wholly-owned subsidiary of the Group, which carried out all of the Group's manufacture and sale of photomask products business, to an independent third party at a consideration of US$42,000,000. The fair value of the consideration at initial recognition amounted to approximately HK$319,914,000 by using a discount rate of 4% by reference to the prevailing market borrowing rate.

The disposal was completed on 11 June 2009, on which date control of Remarkable was passed to the purchaser. The photomask business has been classified as discontinued operations in 2009. Details are set out in the Group's consolidated financial statements for the year ended 31 December 2009.

## 15. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

### (b) Photomask Business (continued)

Pursuant to the sale and purchase agreement on disposal of Remarkable, the Group is obliged to deliver, install and complete the testing and inspection of equipment to ensure that the equipment are in good conditions ("Obligation").

In order to meet this Obligation, management of the Group previously estimated that the Group would need to incur expenditure (primarily staff costs) amounted to HK$50,000,000 for meeting the Obligation. As at 31 December 2011, the provision was fully utilised and the Group had further incurred expenditure amounted to HK$11,445,000 in 2011 for meeting the Obligation. The management determined that no further provision was required as at 31 December 2011 as the management considered that no significant cost would be incurred for meeting the Obligation up to the date of completion of testing and inspection of equipment.

In 2012, certain equipment of Remarkable was damaged due to a sudden breakdown of electricity supply in the factory area where the equipment were being tested. Hence, the Group engaged Grand Award Limited, an independent third party, to assist in repairing the equipment and to complete the testing and inspection works. The equipment's inspection reports have subsequently been finalised and issued which had since expedited the Group's ability to recover the outstanding receivable on disposal of Remarkable. The additional costs of HK$57,990,000 were incurred for meeting the Obligation which were charged as other expenses to profit or loss and included in the loss for the year from discontinued operations in 2012.

As at 31 December 2012, the Group has fully settled the amount payable of HK$40,874,000 to Grand Award Limited. The settlement of HK$40,874,000 consists of payments made of HK$11,625,000, HK$18,450,000 and HK$10,799,000, which were made to Grand Award Limited and two independent third parties according to payment instruction of Grand Award Limited.

With the assistance of Grand Award Limited, the remaining discounted consideration receivable arising from disposal of Remarkable with carrying amount of US$14,093,000 (equivalent to HK$109,501,000) was received in 2012. In addition, imputed interest income and reversal of impairment loss in respect of this consideration receivable amounting to HK$4,807,000 and HK$6,167,000, respectively, were recognised by the Group in the profit or loss in 2012.

## 16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

### (a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the 12 (2012: 10) Directors are as follows:

| | Fees HK$'000 | Salaries and other benefits HK$'000 | Retirement benefit scheme contributions HK$'000 | Total emoluments HK$'000 |
|---|---|---|---|---|
| **2013** | | | | |
| Li Tongshuang (Note 1) | **253** | **200** | **–** | **453** |
| Mung Bun Man, Alan (Note 1) | **227** | **–** | **–** | **227** |
| Chau Chit (Note 2) | **–** | **2,940** | **102** | **3,042** |
| Mung Kin Keung | **2,400** | **–** | **–** | **2,400** |
| Leung Kai Cheung | **240** | **–** | **–** | **240** |
| Leung Shun Sang, Tony | **190** | **–** | **–** | **190** |
| Wong Kun Kim (Note 5) | **111** | **–** | **–** | **111** |
| Li Shaofeng | **–** | **1,960** | **98** | **2,058** |
| Wong Wai Kwan (Note 2) | **196** | **–** | **–** | **196** |
| Lu Yeow Leong (Note 3) | **100** | **–** | **–** | **100** |
| Liem Chi Kit, Kevin (Note 4) | **129** | **–** | **–** | **129** |
| Lam Kin Fung, Jeffrey (Note 1) | **45** | **–** | **–** | **45** |
| | **3,891** | **5,100** | **200** | **9,191** |

| | Fees HK$'000 | Salaries and other benefits HK$'000 | Retirement benefit scheme contributions HK$'000 | Total emoluments HK$'000 |
|---|---|---|---|---|
| **2012** | | | | |
| Chau Chit | – | 2,400 | 120 | 2,520 |
| Mung Kin Keung | 2,400 | – | – | 2,400 |
| Leung Kai Cheung | 240 | – | – | 240 |
| Leung Shun Sang, Tony | 190 | – | – | 190 |
| Chan Wah Tip, Michael (Note 6) | – | – | – | – |
| Wong Kun Kim | 240 | – | – | 240 |
| Lee Fook Sun (Note 7) | 111 | – | – | 111 |
| Li Shaofeng | – | 2,400 | 120 | 2,520 |
| Wong Wai Kwan | 240 | – | – | 240 |
| Lu Yeow Leong | 39 | – | – | 39 |
| | 3,460 | 4,800 | 240 | 8,500 |

Notes:

1. These directors appointed on 24 October 2013.
2. These directors resigned on 24 October 2013.
3. This director resigned on 28 August 2013.
4. This director appointed on 18 June 2013.
5. This director resigned on 18 June 2013.
6. This director resigned on 1 January 2012.
7. This director resigned on 28 September 2012.

Mr. Chau Chit was also the Chief Executive of the Company and his emoluments disclosed above included those for services rendered by him as Chief Executive. Mr. Chau Chit resigned as Chief Executive since 24 October 2013 and Mr. Li Tongshuang was appointed as the Chief Executive of the Company on 24 October 2013 and his emoluments disclosed above included those for services rendered by him as Chief Executive.

## 16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

### (b) Employees' Emoluments

Of the five individuals with highest emoluments in the Group, three (2012: three) were Directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2012: two) highest individuals which the sum of salaries are as follows:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Salaries and other benefits | **1,800** | 1,690 |
| Contributions to retirement benefits schemes | **30** | 24 |
| | **1,830** | 1,714 |

Their emoluments were within the following bands:

| | **2013**<br>**Number of**<br>**employees** | 2012<br>Number of<br>employees |
|---|---|---|
| Nil to HK$1,000,000 | **1** | 2 |
| HK$1,000,001 to HK$1,500,000 | **1** | – |
| | **2** | 2 |

No emoluments were paid by the Group to the Directors or the five highest paid individuals as compensation for loss of office or as an inducement to join or upon joining the Group. During the year ended 31 December 2013, one director waived emoluments of HK$440,000 (2012: Nil).

## 17. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2013 and 2012, nor has any dividend been proposed since the end of reporting period.

## 18. LOSS PER SHARE

### From continuing and discontinued operations

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

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| **Loss** | | |
| Loss for the purpose of basic and diluted loss per share<br>(Loss for the year attributable to owners of the Company) | **(318,378)** | (379,628) |

The denominators used are the same as those detailed below for both basic and diluted loss per share from continuing operations.

## 18. LOSS PER SHARE (continued)

### From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Loss figures are calculated as follows: | | |
| Loss for the year attributable to the owners of the Company | **(318,378)** | (379,628) |
| Less: Loss for the year from discontinued operations | **(140,345)** | (125,352) |
| Loss for the purpose of basic and diluted loss per share from continuing operations | **(178,033)** | (254,276) |

| | 2013<br>'000 | 2012<br>'000 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **2,692,141** | 2,287,906 |

The computation of diluted loss per share does not assume exercise of share options and conversion of convertible notes in 2013 and 2012 because the assumed conversion of convertible notes would result in decrease in loss per share from continuing operations.

### From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK5.22 cents per share (2012: loss of HK5.48 cents per share).

The calculation of basic and diluted loss per share from discontinued operations attributable to the owners of the Company are based on the following data:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Loss for the purposes of basic and diluted loss per share attributable to owners of the Company | **(140,345)** | (125,352) |

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing operations.

## 19. PROPERTY, PLANT AND EQUIPMENT

### THE GROUP

| | Leasehold land and buildings HK$'000 | Machinery, moulds and tools HK$'000 | Equipment, furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Leasehold improvements HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| COST | | | | | | |
| At 1 January 2012 | 3,164 | 5,463 | 21,762 | 19,068 | 2,791 | 52,248 |
| Additions | – | – | 733 | 1,821 | – | 2,554 |
| Write-off/disposals | – | (5,463) | (11,840) | (4,217) | (2,093) | (23,613) |
| Disposal of subsidiaries | – | – | (2,287) | (2,317) | – | (4,604) |
| Exchange realignment | 8 | – | 871 | (542) | – | 337 |
| At 31 December 2012 and 1 January 2013 | 3,172 | – | 9,239 | 13,813 | 698 | 26,922 |
| Additions | – | – | 1,911 | 317 | 1,250 | 3,478 |
| Disposals | – | – | (293) | (891) | – | (1,184) |
| Exchange realignment | 124 | – | 480 | 512 | 27 | 1,143 |
| At 31 December 2013 | 3,296 | – | 11,337 | 13,751 | 1,975 | 30,359 |
| DEPRECIATION AND IMPAIRMENT | | | | | | |
| At 1 January 2012 | 815 | 5,463 | 18,101 | 9,830 | 1,876 | 36,085 |
| Provided for the year | 153 | – | 871 | 2,110 | 753 | 3,887 |
| Eliminated on disposals | – | (5,463) | (11,701) | (3,614) | (1,982) | (22,760) |
| Disposal of subsidiaries | – | – | (382) | (1,705) | – | (2,087) |
| Exchange realignment | 3 | – | 310 | (12) | – | 301 |
| At 31 December 2012 and 1 January 2013 | 971 | – | 7,199 | 6,609 | 647 | 15,426 |
| Provided for the year | 158 | – | 679 | 1,703 | 468 | 3,008 |
| Eliminated on write-off/disposals | – | – | (170) | (166) | – | (336) |
| Exchange realignment | 40 | – | 384 | 261 | 24 | 709 |
| At 31 December 2013 | 1,169 | – | 8,092 | 8,407 | 1,139 | 18,807 |
| CARRYING VALUES | | | | | | |
| At 31 December 2013 | 2,127 | – | 3,245 | 5,344 | 836 | 11,552 |
| At 31 December 2012 | 2,201 | – | 2,040 | 7,204 | 51 | 11,496 |

## 19. PROPERTY, PLANT AND EQUIPMENT (continued)

### THE COMPANY

| | Equipment, furniture and fixtures HK$'000 | Leasehold improvements HK$'000 | Total HK$'000 |
|---|---|---|---|
| COST | | | |
| At 1 January 2012 | 1,255 | 1,456 | 2,711 |
| Write-off | – | (1,456) | (1,456) |
| At 31 December 2012 and 1 January 2013 | 1,255 | – | 1,255 |
| Additions | – | 1,250 | 1,250 |
| At 31 December 2013 | 1,255 | 1,250 | 2,505 |
| DEPRECIATION | | | |
| At 1 January 2012 | 1,167 | 860 | 2,027 |
| Provided for the year | 50 | 485 | 535 |
| Eliminated on write-off | – | (1,345) | (1,345) |
| At 31 December 2012 and 1 January 2013 | 1,217 | – | 1,217 |
| Provided for the year | 22 | 417 | 439 |
| At 31 December 2013 | 1,239 | 417 | 1,656 |
| CARRYING VALUES | | | |
| At 31 December 2013 | 16 | 833 | 849 |
| At 31 December 2012 | 38 | – | 38 |

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| The carrying value of leasehold land and buildings comprises: | | | | |
| Land in the PRC: | | | | |
| Medium-term leases | **2,127** | 2,201 | **–** | – |

## 20. GOODWILL AND IMPAIRMENT TESTING

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| COST | | |
| At 1 January | **185,444** | 185,256 |
| Exchange realignment | **–** | 188 |
| At 31 December | **185,444** | 185,444 |
| IMPAIRMENT | | |
| At 1 January | **115,256** | 110,588 |
| Impairment loss recognised in the year (Note a, b) | **70,188** | 4,668 |
| At 31 December | **185,444** | 115,256 |
| CARRYING VALUES | **–** | 70,188 |

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Intelligent information operating segment | | |
| – Sino Stride Technology (Holdings) Limited ("SST") (Note a) | **–** | 70,188 |

Notes:

(a) For the purpose of impairment testing, goodwill has been allocated to one CGU, comprising a subsidiary in the intelligent information business segment, SST.

Goodwill of HK$14,200,000 (31 December 2012: HK$13,667,000) relating to DTV business was classified as held for sale as at 31 December 2013 as detailed in note 15.

In reassessing the goodwill impairment for the year ended 31 December 2013, the Directors expect that the development of the intelligent information business will continue to slow down and the future revenue to be generated from SST is expected to decline due to the tightening of spending in relation to intellectual properties by certain government related entities. As such, the estimated future cash inflows of SST have been revised accordingly.

## 20. GOODWILL AND IMPAIRMENT TESTING (continued)

Notes: (continued)

(a) (continued)

The recoverable amount of SST has been determined on the basis of value in use. The value in use calculation is based on financial budgets prepared and approved by the Directors covering one year period immediately before 1 January 2015, which is the earliest date that the Call Option (defined and explained in note 41) could be exercised by Carrier Asia Limited ("Carrier Asia") to acquire up to 75% of registered capital of SST. The exercise price of the Call Option is estimated based on a financial budget covering the four year period from 1 January 2015 to 31 December 2018 prepared by the Directors of the Company and cash flows beyond 31 December 2018 are extrapolated using a steady annual growth rate of 3%. A discount rate of 15.40% is used. In preparing the financial budgets, the Directors adjusted downward the estimated revenue by approximately 30% for the next year ending 31 December 2014. All cash flow projections are prepared based on the expected gross margin which is determined based on the past performance of SST and the expectation of the market development.

During the year ended 31 December 2012, the recoverable amount of SST was determined using the basis of value in use calculation and based on certain key assumptions. The value in use calculation was based on cash flow projections prepared from financial budgets approved by the Directors covering a 5-year period, and a discount rate of 13.82%. Cash flows beyond the 5-year period are extrapolated using 3% steady growth rate. For the year ended 31 December 2012, the Directors have determined that there is no impairment on the goodwill as the recoverable amount of SST (being the CGU to which the goodwill has been allocated) is excess of the aggregate carrying amount of SST.

Based on the assessment, the Group made a full impairment loss on goodwill of HK$70,188,000 (2012: Nil) in respect of this CGU for the year ended 31 December 2013. The Directors have determined that there is no impairment on the property, plant and equipment and other intangible assets within this CGU.

(b) In view of the shrinking economy resulted from the saturated market in provision of light emitted diode business ("LED business"), the progress of the LED business has been slowed down since beginning of 2012. Based on the performance of Zhejiang Concord Optic – Electronic Technology Company Limited ("Concord Optic") and management's expectations for the market development, the future economic benefits generated from Concord Optic is expected to be minimal. Thus, the Group made a full impairment loss on goodwill of HK$4,668,000, for the year ended 31 December 2012.

## 21. INTANGIBLE ASSETS

| | Development costs for energy saving systems HK$'000 | Development costs for intelligent information systems HK$'000 | Project contracts HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **THE GROUP** | | | | |
| COST | | | | |
| At 1 January 2012 | 4,214 | 14,876 | 1,473 | 20,563 |
| Disposal of a subsidiary | (4,225) | – | – | (4,225) |
| Exchange realignment | 11 | 39 | – | 50 |
| At 31 December 2012 and 1 January 2013 | – | 14,915 | 1,473 | 16,388 |
| Exchange realignment | – | 582 | – | 582 |
| At 31 December 2013 | – | 15,497 | 1,473 | 16,970 |
| **AMORTISATION AND IMPAIRMENT** | | | | |
| At 1 January 2012 | 2,145 | 8,104 | 1,473 | 11,722 |
| Charge for the year | 679 | 1,965 | – | 2,644 |
| Eliminated upon the disposal of a subsidiary | (2,831) | – | – | (2,831) |
| Exchange realignment | 7 | 29 | – | 36 |
| At 31 December 2012 and 1 January 2013 | – | 10,098 | 1,473 | 11,571 |
| Charge for the year | – | 2,021 | – | 2,021 |
| Exchange realignment | – | 423 | – | 423 |
| At 31 December 2013 | – | 12,542 | 1,473 | 14,015 |
| CARRYING VALUES | | | | |
| At 31 December 2013 | – | 2,955 | – | 2,955 |
| At 31 December 2012 | – | 4,817 | – | 4,817 |

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight line basis over the following periods:

| | |
|---|---|
| Development costs for energy saving systems | 5 years |
| Development costs for intelligent information systems | 5 years |
| Project contracts | 5 years |

Development costs for energy saving systems represent software design and development fee incurred in respect of a system "中程全天候智能分佈式冷卻系統" for the intelligent information business. During the year ended 31 December 2012, the Group derecognised development cost for energy saving systems upon disposal of a subsidiary, Zhejiang Sinostride Energy Saving Technology Co. Limited (Note 40(b)).

## 21. INTANGIBLE ASSETS (continued)

Development costs for intelligent information systems represent costs incurred for the design and development of intelligent information systems.

Project contracts represent the contracts based intangible assets relating to system installation and integration project contracts.

## 22. OTHER RECEIVABLES

The amount originally represented deposit amounting to RMB35,000,000 (equivalent to approximately HK$40,600,000 based on exchange rate prevailing at 31 December 2010) paid to acquire a commercial property in the PRC for owner occupation pursuant to an agreement entered into between the Group and an independent third party 浙江華海實業有限公司 ("the Developer") dated 11 February 2010 ("Agreement"). The deposit carried interest at 10% per annum. At 31 December 2011, the acquisition had not been completed, pending for the issue of official premises permit of that property from a government body. Pursuant to the Agreement, if the transfer is not completed within five years from 11 February 2010, the Group can request for refund of the deposit from the Developer.

In August 2012, the Developer informed the Group that the government body may not issue the official premises permit for that property and orally agreed to refund the deposit to the Group in 2015. Taking into account the financial position of the Developer, the Group estimated the future cash flows to be recovered from the Developer in respect of the deposit and overdue interest, and considered that an impairment loss of HK$13,400,000, computed using the original effective rate of 10% per annum, should be made in profit or loss in 2012. The Group recognised imputed interest income of HK$3,763,000 in profit or loss for the current year (2012: HK$1,421,000).

## 23. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES

| | THE COMPANY | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Unlisted shares, at cost | **980** | 980 |
| Deemed capital contributions | **49,284** | 38,336 |
| Less: Impairment loss recognised | **(980)** | (980) |
| | **49,284** | 38,336 |
| Advances to subsidiaries | **346,724** | 345,783 |

## 23. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES (continued)

Deemed capital contributions approximately HK$10,948,000 (2012: HK$10,915,000) made during the year ended 31 December 2013 represent fair value adjustment on non-current interest-free advances to subsidiaries at initial recognition or upon revised estimates of the timing of repayment of advances by these subsidiaries.

The advances to subsidiaries are unsecured, non-interest bearing and denominated in HK$. In the opinion of the Directors, the Company will not demand repayment within one year from the end of reporting period and the advances are therefore considered as non-current. Such interest-free advances are measured at amortised cost using the original effective interest at 3.16% per annum for the year ended 31 December 2013 (2012: 3.16% per annum) based on estimated timing of repayment.

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

| Name of subsidiary | Place/ country of incorporation/ registration | Principal place of operation | Issued and fully paid share capital/ registered capital | Proportion of nominal value of issued share capital/ registered capital held by the Company | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | **2013** % | 2012 % | |
| Chongqing SinoStride Technology Co., Ltd.@ 重慶中程科技有限公司 | The PRC | The PRC | Registered capital RMB200,000,000 | **100*** | 100* | Provision of DTV technical solutions and equipment |
| Ever Create Profits Limited | The British Virgin Islands ("B.V.I.") | Hong Kong | 1 ordinary share of US$1 | **100*** | 100* | Inactive |
| Hitech Electro-Optical Limited | Hong Kong | Hong Kong | 2 ordinary shares of HK$1 each | **100*** | 100* | Inactive |
| Made Connection Limited | Samoa | Hong Kong | 1 ordinary share of US$1 | **100*** | 100* | Investment holding |
| Printronics Electronics Limited | Hong Kong | Hong Kong | 5 ordinary shares of HK$1 each | **60*** | 60* | Investment holding |
| Printronics Group Limited | Hong Kong | Hong Kong | 2 ordinary shares of HK$1 each | **100** | 100 | Investment holding |
| Santai Corporate Services Limited | Hong Kong | Hong Kong | 2 ordinary shares of HK$1 each | **100** | 100 | Provision of management services |

## 23. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES (continued)

| Name of subsidiary | Place/ country of incorporation/ registration | Principal place of operation | Issued and fully paid share capital/ registered capital | Proportion of nominal value of issued share capital/ registered capital held by the Company 2013 % | 2012 % | Principal activities |
|---|---|---|---|---|---|---|
| SCS Investment Company Limited | Hong Kong | Hong Kong | 1 ordinary share of HK$1 | **100*** | 100* | Investment holding |
| SCT Electronics Limited | Hong Kong | The PRC | 2 ordinary shares of HK$1 each | **100** | 100 | Investment holding |
| SST | B.V.I. | Hong Kong | 1,078,959,000 ordinary shares of HK$0.01 each | **100*** | 100* | Investment holding |
| Sinostride Technology@ 中程科技有限公司 | The PRC | The PRC | Registered capital RMB113,000,000 | **58.5*** | 78.5* | System value-added service solution and development |
| South China Digital TV Holdings Limited | Hong Kong | Hong Kong | 1 ordinary share of HK$1 | **100** | 100 | Investment holding |
| 廣州市易家通互動信息發展有限公司# | The PRC | The PRC | Registered capital RMB15,050,000 | **100*** | 100* | Provision of DTV technical solutions and equipment |
| 深圳市泰格信息科技開發有限公司# | The PRC | The PRC | Registered capital RMB20,000,000 | **100*** | 100* | Investment holding and sale of DTV equipment |
| Concord Optic @ 協和光電科技有限公司 | The PRC | The PRC | Registered capital RMB10,000,000 | **80*** | 80* | System design, and sales of system hardware and light emitted diode products |

* Indirectly held through subsidiaries

@ Registered under the laws of the PRC as a Sino-foreign co-operative joint venture

\# Registered under the laws of the PRC on the form of domestic incorporated entity

## 23. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES (continued)

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

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. These subsidiaries operate in Hong Kong and the PRC. The principal activities of these subsidiaries are summarised as follows:

| Principal activities | Principal place of business | Number of subsidiaries | |
|---|---|---|---|
| | | **31/12/2013** | 31/12/2012 |
| Investment holding | Hong Kong | **3** | 3 |
| | The PRC | **2** | 2 |
| | | **5** | 5 |
| Inactive | Hong Kong | **7** | 7 |
| | The PRC | **4** | 4 |
| | | **11** | 11 |
| | | **16** | 16 |

None of the subsidiaries had issued any debt securities for the years ended 31 December 2013 and 2012.

## 23A. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

| Name of subsidiary | Place of incorporation and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests | | Loss allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | **2013** | 2012 | **31.12.2013** | 31.12.2012 | **31.12.2013** | 31.12.2012 |
| | | | | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Sinostride Technology | PRC | **41.5** | 21.5 | **36,130** | 7,585 | **74,383** | 47,046 |
| Individually immaterial subsidiaries with non-controlling interest | | | | **922** | 8,334 | **(4,114)** | (2,645) |
| | | | | **37,052** | 15,919 | **70,269** | 44,401 |

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

## 23A. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

### Sinostride Technology

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Current assets | **535,779** | 590,816 |
| Non-current assets | **27,272** | 28,116 |
| Current liabilities | **383,816** | (400,113) |
| Non-current liabilities | **–** | – |
| Equity attributable to owners of the Company | **104,852** | 171,773 |
| Non-controlling interests | **74,383** | 47,046 |

| | Year ended 31 December<br>2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Revenue | **277,386** | 304,574 |
| Expenses | **(344,393)** | (338,328) |
| Loss for the year | **(87,060)** | (35,279) |
| Loss attributable to owners of the Company | **(50,930)** | (27,694) |
| Loss attributable to the non-controlling interests | **(36,130)** | (7,585) |
| Loss for the year | **(87,060)** | (35,279) |
| Other comprehensive income attributable to the owners of the Company | **5,155** | 445 |
| Other comprehensive income attributable to the non-controlling interests | **3,657** | 122 |
| Other comprehensive income for the year | **8,812** | 567 |
| Total comprehensive expense attributable to the owners of the Company | **(45,775)** | (27,249) |
| Total comprehensive expense attributable to non-controlling interests | **(32,473)** | (7,463) |
| Total comprehensive expenses for the year | **(78,248)** | (34,712) |
| Dividends paid to non-controlling interests | **–** | – |
| Net cash inflow (outflow) from operating activities | **44,573** | (67,456) |
| Net cash (outflow) inflow used in investing activities | **(21,075)** | 8,665 |
| Net cash outflow used in financing activities | **(25,756)** | (2,459) |
| Net cash outflow | **(2,199)** | (61,030) |

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

In the opinion of the Directors, no summarised financial information is disclosed in respect of the Group's individually immaterial subsidiaries that have non-controlling interest because the financial impacts of these subsidiaries are not material to the Group.

## 24. INVESTMENTS IN ASSOCIATES

| | THE GROUP 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Unlisted investments in associates, at cost less impairment | **2,460** | 2,460 |
| Exchange realignment | **103** | 7 |
| | **2,563** | 2,467 |

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

| Name of entity | Form of business structure | Place of establishment and operation | Proportion of nominal value of registered capital held by the Group 2013 | 2012 | Principal activities |
|---|---|---|---|---|---|
| Shenzhen Fasten Sino Stride Technology Limited 深圳市法爾勝中程科技有限公司 ("Shenzhen Fasten") | Corporate | The PRC | **23.4% (Note)** | 31.4% | Inactive |

Note: Subsequent to 31 December 2013, Shenzhen Fasten was deregistered on 2 January 2014.

## 25. AVAILABLE-FOR-SALE INVESTMENTS/LOAN TO AN INVESTEE

The unlisted equity investments that are measured at fair value and at cost less impairment comprises of:

| | THE GROUP 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Unlisted equity investments: | | |
| – Measure at fair value (Note i) | **2,323** | 18,116 |
| – Measure at cost less impairment (Note ii) | **5,316** | 5,116 |
| | **7,639** | 23,232 |
| Loan to an investee (Note ii) | **83,291** | 80,165 |

## 25. AVAILABLE-FOR-SALE INVESTMENTS/LOAN TO AN INVESTEE (continued)

Notes:

(i) It represents the Group's 19% equity interest in Success East, and entity incorporated in Hong Kong and principally involved in investment in securities.

The fair value of Success East as at 31 December 2012 and 2013 continued to decline which is mainly attributable to the impairment of certain financial assets held by Success East. Thus, further impairment loss of HK$34,255,000 and HK$15,793,000 is made in profit or loss for the years ended 31 December 2012 and 2013.

(ii) Wuxi Remarkable Mask Limited (無錫中微掩模電子有限公司) ("Wuxi Remarkable") is a company registered in the PRC which is beneficially owned as to 19% by the Group. Wuxi Ledong Microelectronics Co., Ltd. (無錫樂東微電子有限公司) ("Ledong"), has been holding the 19% interest in Wuxi Remarkable as a trustee for the Group since 2009.

In the first half of 2012, Shenzhen Tiger Information Technology Development Co., Ltd. (深圳市泰格信息科技開發有限公司) ("Tiger Information"), a wholly-owned subsidiary of the Group, entered into a loan agreement with Ledong pursuant to which Tiger Information provided a loan of RMB65,000,000 (equivalent to approximately HK$80,165,000) to Ledong, which in turn was lent to Wuxi Remarkable as a shareholder's loan for the development of its photomask project in the PRC (the "Shareholder's Loan"). Such loan is unsecured, non-interest bearing and in the opinion of the Directors, the amount will not be repayable within one year.

In the first half of 2012, Ledong issued an offer letter (the "Offer") to acquire the Group's entire equity interest in, together with the Shareholder's Loan, from Wuxi Remarkable for a consideration of RMB68,439,000 (equivalent to approximately HK$84,406,000). The offer has been expired by the end of June 2013. As disclosed in the Group's interim report for the six months ended 30 June 2012, the Directors had committed to a plan to dispose of Wuxi Remarkable before 30 June 2013 and considered that the disposal was highly probable at 30 June 2012. Accordingly, the related investment cost and Shareholder's Loan were classified as a disposal group held-for-sale, which was presented separately in the condensed consolidated statement of financial position as at 30 June 2012.

In the second half of 2012, Ledong disposed of its own equity interest in Wuxi Remarkable to one of the existing shareholders of Wuxi Remarkable. In addition, Ledong orally informed the Group to withdraw the Offer. In view of the changes in circumstances and the restriction imposed in the Article of Wuxi Remarkable that transfer of its equity interest is restricted to the existing shareholders, the Directors considered that the completion of disposal of Wuxi Remarkable within one year is no longer highly probable at 31 December 2012. Accordingly, the investment in Wuxi Remarkable and Shareholder's Loan have been reclassified as "available-for-sale investments" of HK$4,241,000 and "loan to an investee" of HK$80,165,000 respectively as at 31 December 2012 and 2013.

In the second half of 2013, the Directors consider that the amount will not be receivable within one year, as such, the amount is reclassified as non-current assets as at 31 December 2013.

At 31 December 2012 and 2013, the investment in Wuxi Remarkable is stated at cost as the Directors of the Company considered that the fair value cannot be measured reliably. As the management consider that Wuxi Remarkable has strong financial position, no impairment is considered as necessary on the investment cost in and loan to Wuxi Remarkable at 31 December 2012 and 2013.

## 26. CLUB DEBENTURES

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| **THE GROUP AND THE COMPANY** | | |
| Cost | **960** | 960 |
| Impairment loss recognised | **(260)** | (260) |
| | **700** | 700 |

Club debentures are tested for impairment annually and whenever there is an indication that it may be impaired. No impairment loss was recognised at year end by reference to the quoted market prices of club debentures.

## 27. INVENTORIES

| | THE GROUP | |
|---|---|---|
| | 2013 HK$'000 | 2012 HK$'000 |
| Raw materials | **3,425** | 4,220 |
| Finished goods | **6,176** | 5,045 |
| | **9,601** | 9,265 |

## 28. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

### (a) Trade and bills receivables

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Trade and bills receivables | **68,387** | 83,072 |
| Less: Allowance for doubtful debts | **(12,460)** | (40,748) |
| | **55,927** | 42,324 |

Trading terms with customers are on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable within 90 days of issuance. Each customer has a designated credit limit.

## 28. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

### (a) Trade and bills receivables (continued)

An aged analysis of the trade and bills receivables at the end of the reporting period, based on invoice date, and net of allowance for doubtful debts, is as follows:

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| 0 – 90 days | **15,787** | 26,756 |
| 91 – 180 days | **15,084** | 7,473 |
| 181 – 365 days | **18,898** | 1,722 |
| 1 – 2 years | **4,682** | 6,373 |
| Over 2 years | **1,476** | – |
| | **55,927** | 42,324 |

Before accepting any new customer, the Group assesses the credit quality of each potential customer and defines a credit rating and limit for each customer. In addition, the Group reviews the repayment history of receivables of each customer with reference to the payment terms stated in contracts to determine the recoverability. In the opinion of Directors, trade receivables that are not past due nor impaired at the end of the reporting period were of good credit quality.

Included in the Group's trade and bills receivables balance are debtors with an aggregate carrying amount of approximately HK$40,140,000 (2012: HK$15,568,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

*Aging of trade and bills receivables which are past due but not impaired*

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| 0 – 90 days | **–** | – |
| 91 – 180 days | **15,084** | 7,473 |
| 181 – 365 days | **18,898** | 1,722 |
| 1 – 2 years | **4,682** | 6,373 |
| Over 2 years | **1,476** | – |
| Total | **40,140** | 15,568 |

## 28. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

### (a) Trade and bills receivables (continued)

*Movement in the allowance for doubtful debts*

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At 1 January | **40,748** | 59,799 |
| Written-off | **(31,998)** | – |
| Impairment losses recognised on receivables | **3,102** | 11,719 |
| Disposal of subsidiaries | **–** | (30,829) |
| Exchange differences | **608** | 59 |
| At 31 December | **12,460** | 40,748 |

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$12,460,000 (2012: HK$40,748,000) of which the Group has chased for settlements from customers but the amounts remained unsettled. In the opinion of Directors, the amounts are considered uncollectible. The Group does not hold any collateral over these balances.

### (b) Prepayment, deposits and other receivables

At 31 December 2013, the balances mainly included advances to suppliers in relation to intelligent information business of HK$84,453,000 and deposit for projects for intelligent information business of HK$30,937,000.

At 31 December 2012, the balance mainly included advances to suppliers in relation to intelligent information business of HK$54,512,000, deposit for projects for intelligent information business of HK$25,690,000 and a cash consideration of RMB6,000,000 (equivalent to HK$7,400,000) arising from disposal of a subsidiary (note 40(b)).

## 29. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| **THE GROUP** | | |
| Contract costs incurred plus recognised profits less recognised losses | **1,577,081** | 1,873,322 |
| Less: Progress billings | **(1,262,263)** | (1,435,235) |
| | **314,818** | 438,087 |
| Analysed for reporting purposes of: | | |
| Amounts due from contract customers | **314,818** | 439,862 |
| Amounts due to contract customers | **–** | (1,775) |
| | **314,818** | 438,087 |

At 31 December 2013, certain contract work amounting to approximately HK$3,580,000 (31 December 2012: HK$9,921,000) is pending for final billing upon the issuance of audited completion reports by the customers. The amounts were included in amounts due from customers for contract work. At 31 December 2013, retentions held by customers for contract works of approximately HK$980,000 (2012: HK$906,000) were included in other receivables. There is no advance received from customers for contract work before the commencement of the contract. In the opinion of the Directors, the amounts are expected to be realised in the next twelve months from the end of the reporting period.

Based on the assessment of the Directors of the Company, certain contract works have been suspended or have not yet been compromised with the customers on amount of final billing nor issuance of certified completion reports, as such the related carrying amounts of contract works are not probable to recover. During the year, an impairment loss of amounts due from customers for contract work of HK$30,889,000 (2012: HK$4,283,000) was recognised in the profit or loss.

## 30. AMOUNTS DUE FROM (TO) SUBSIDIARIES

### THE COMPANY

The amounts due from subsidiaries, net of impairment of HK$494,508,000 (2012: HK$708,792,000) are unsecured and non-interest bearing. The amounts are expected to be realised in the next twelve months from the end of the reporting period.

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

Included in the Company's amounts due from subsidiaries, there are HK$792,635,000 payable by DTV Disposal Group as at 31 December 2013. In the opinion of the Directors, such amount are expected to be realised on the next twelve months from the end of the reporting period upon the disposal of DTV Business. The Company has not provided for impairment loss as the amounts are expected to be recovered in full through the recoverable amount of DTV Disposal Group which is expected to be higher than the Net Assets Value of the DTV Disposal Group.

## 31. PLEDGE OF ASSETS

### THE GROUP

At the end of the reporting period, assets pledged to banks to secure banking facilities and borrowings granted to the Group were as follows:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| DTV – Investment properties | **49,329** | 45,453 |
| DTV – Buildings | **11,106** | 10,903 |
| Bank deposits | **24,101** | 293,053 |
| | **84,536** | 349,409 |

Among the pledged assets, investment properties of HK$49,329,000 (2012: HK$45,453,000), buildings of HK$11,106,000 (2012: HK$10,903,000) and pledged bank deposits of Nil (2012: HK$189,000) as at 31 December 2013 were included in disposal group classified as held-for-sale (note 15).

The above assets were pledged for securing the following liabilities with carrying amounts as follows:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Bank borrowings – due within one year | **102,486** | 312,496 |
| Bank borrowings – due after one year | **–** | 2,467 |
| Bills payables | **24,101** | 12,056 |
| | **126,587** | 327,019 |

## 31. PLEDGE OF ASSETS (continued)

### THE GROUP (continued)

The pledged bank deposits carry interest at market rates ranging from 4.16% to 4.23% (2012: 3.25% to 3.50%) per annum. The pledged bank deposits will be released upon the settlement of relevant bills payable in year 2014 (2012: released upon settlement of bank borrowings in year 2013) and are therefore classified as current assets.

### THE COMPANY

The Company has no pledge of assets as at 31 December 2013 and 2012.

## 32. BANK BALANCES AND CASH

### THE GROUP AND THE COMPANY

Bank balances carry interest at prevailing bank saving deposits rates ranging from 0.01% to 0.3% (2012: 0.001% to 0.35%) per annum.

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

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **THE GROUP** | | |
| HK$ | **633** | 226 |
| US$ | **118** | 1,135 |
| **THE COMPANY** | | |
| HK$ | **633** | 226 |
| US$ | **69** | 69 |

## 33. TRADE AND BILLS PAYABLES AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

### (a) Trade and bills payables

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

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 – 90 days | **58,966** | 69,640 |
| 91 – 180 days | **18,997** | 17,415 |
| 181 – 365 days | **5,801** | 5,121 |
| 1 – 2 years | **13,156** | 23,943 |
| Over 2 years | **48,073** | 43,434 |
| | **144,993** | 159,553 |

The average credit period for purchase of goods ranged from 90 to 180 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

The Group's trade and bills payables are all denominated in functional currency of the respective group entities in both years.

### (b) Other payables, deposits received and accruals

At 31 December 2013 and 2012, the balance mainly represented deposits received from suppliers, value added tax payable in relation to intelligent information business as well as accrued staff costs. At 31 December 2013, the balance also included the deposit received from Guang Hua related to the disposal of the DTV business of HK$50,000,000.

## 34. BANK BORROWINGS

| | **THE GROUP** | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Bank loans | **128,012** | 421,915 |
| | **128,012** | 421,915 |
| Secured | **–** | 270,219 |
| Unsecured | **128,012** | 151,696 |
| | **128,012** | 421,915 |

## 34. BANK BORROWINGS (continued)

### THE GROUP

The bank borrowings include:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Fixed rate borrowings: | | |
| Bank borrowings | **128,012** | 94,347 |
| | **128,012** | 94,347 |
| Variable rate bank borrowings carry interest at: | | |
| One-year benchmark interest rate of | | |
| The People's Bank of China with 10% – 15% markup | **–** | 57,348 |
| London Interbank Offered Rate plus 2.2% – 2.3% per annum | **–** | 270,220 |
| | **–** | 327,568 |
| | **128,012** | 421,915 |

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are:

| | **2013** | 2012 |
|---|---|---|
| Fixed-rate bank borrowings | **6.00% – 8.50%** | 7.05% – 9.51% |
| Variable-rate bank borrowings | **Nil** | 2.53% – 7.17% |

The Group's bank borrowings that are denominated in currencies other than functional currency of the respective group entities are set out below:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| US$ | **–** | 270,220 |

During the year, the Group obtained new loans of HK$218,991,000 (2012: HK$513,469,000) from banks. The loans outstanding at 31 December 2013 bear interest at fixed rates, which will be repayable in 2014 (2012: 2013). The new loans were borrowed by the group companies and several of them were under financial guarantee provided by the Company to the banks (note 45).

## 35. CONVERTIBLE LOAN NOTES

### THE GROUP AND THE COMPANY

The movement of the debt component and the derivative components (including conversion option derivative, bondholder's early redemption option derivative and compulsory conversion option derivative) of the convertible loan notes for the years ended 31 December 2013 and 2012 are set out as follows:

| | Debt component HK$'000 | Derivative components HK$'000 |
|---|---|---|
| At 1 January 2012 | 323,438 | 63,567 |
| Interest charge | 63,551 | – |
| Interest paid | (4,906) | – |
| Exchange realignment | (257) | – |
| Conversion of convertible loan notes into shares of the Company | (169,623) | (77,787) |
| Loss arising on changes of fair value | – | 68,507 |
| At 31 December 2012 and 1 January 2013 | 212,203 | 54,287 |
| Interest charge | 54,088 | – |
| Interest paid | (1,688) | – |
| Exchange realignment | 57 | – |
| Gain arising on changes of fair value | – | (29,373) |
| Carrying amount at 31 December 2013 | 264,660 | 24,914 |

### Convertible Bonds Issued in 2009

(a) On 5 June 2009 ("Issue Date I"), the Company issued a convertible bond for a principal amount of US$15,000,000 (equivalent to approximately HK$116,250,000) ("Convertible Bond I") to an independent third party, Templeton Strategic Emerging Markets Fund III, LDC (the "Convertible Bondholder").

The maturity date of the Convertible Bond is on 5 June 2014 ("Maturity Date I"). The Convertible Bond I shall not bear any interest and will be redeemed at its outstanding principal amount plus a premium of 8.5% per annum compounded annually at the Maturity Date I by the Company. The Convertible Bond I is denominated in United States dollars.

## 35. CONVERTIBLE LOAN NOTES (continued)

### Convertible Bonds Issued in 2009 (continued)

(a) (continued)

The major terms of Convertible Bond I are as follows:

*(i)* ***Conversion option:***

The Convertible Bond I is convertible into shares of the Company at any time after the Issue Date I up to, but excluding the close of business on the Maturity Date I at the conversion price of HK$0.60 per share, subject to anti-dilutive adjustments.

*(ii)* ***Compulsory conversion option:***

The Company has the compulsory conversion option to convert the Convertible Bond I at any time starting from the first day after the second anniversary of the Issue Date I and prior to the Maturity Date I, if the volume weighted average of the closing market price of the shares of the Company for any consecutive 20 business days (excluding any days on which the trading of the shares is suspended) ("Trading Days") immediately preceding the date of exercise of such right exceeded 170% of the conversion price of HK$0.60 per share and there is a minimum daily trading value of HK$7,800,000 for each of such 20 Trading Days. Then, the Company may, having given not less than 30 but not more than 60 days' prior notice in writing to the Convertible Bondholder to convert all outstanding principal amount of the Convertible Bond I into the Company's shares.

*(iii)* ***Bondholder's early redemption option:***

The Convertible Bondholder shall be entitled by giving 10 business days prior written notice to the Company to require the Company to redeem the whole amount, or any part, of the Convertible Bond I on the date falling on the second anniversary from the Issue Date I, which is on 5 June 2011. On 21 March 2012, the Company and the Convertible Bondholder entered into a supplemental agreement, pursuant to which the Convertible Bondholder is entitled by giving at least 21 days prior written notice to the Company requiring the Company to redeem the whole amount, or any part, of the Convertible Bond I during the period from 30 June 2012 up to (but excluding) the Maturity Date I. The amount payable on redemption in such case is an amount which is equal to the aggregate of (i) the principal amount of the Convertible Bond I to be redeemed; and (ii) a premium equal to 8.5% per annum, compounded annually, accrued from the Issue Date I up to (but excluding) the date of redemption for such Convertible Bond I to be redeemed, calculated on the basis of a 360 day per year consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed during that month.

## 35. CONVERTIBLE LOAN NOTES (continued)

### Convertible Bonds Issued in 2009 (continued)

(a) (continued)

*(iii) Bondholder's early redemption option: (continued)*

The Convertible Bond I contains debt component, conversion option derivative, compulsory conversion option derivative and bondholder's early redemption option derivative (collectively the "Derivative Component I").

At the date of issue, the debt component was recognised at fair value, calculated based on the present value of the redemption amount at maturity. In subsequent periods, the debt component is carried at amortised cost using the effective interest method. The effective interest rate of the debt component is 33.6% per annum.

The derivative component is measured at fair values at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss.

Binomial model is used for valuation of the Derivative Component I. The major inputs into the model were as follows:

| | **31 December 2013** | 31 December 2012 | 5 June 2009 |
|---|---|---|---|
| Stock price | **HK$0.50** | HK$0.49 | HK$0.60 |
| Exercise price | **HK$0.60** | HK$0.60 | HK$0.60 |
| Volatility (Note a) | **60%** | 51% | 50% |
| Dividend yield | **0%** | 0% | 0% |
| Option life | **0.42 years** | 1.42 years | 5 years |
| Risk free rate (Note b) | **0.10%** | 0.20% | 2.83% |

Notes:

(a) The volatility used in the model was determined with reference to the average of the Company and comparable companies' historical volatility.

(b) The risk free rate used in the model was reference to US Sovereign yield at the end of the reporting period.

The fair value of the Convertible Bond I with embedded derivatives was determined with reference to a valuation report carried out by an independent valuer, on Issue Date I at approximately HK$116,250,000. As at 31 December 2013, the carrying amount of the debt component of the Convertible Bond I is approximately HK$156,095,000 (31 December 2012: HK$116,767,000) and the fair value of the Derivative Component I of the Convertible Bond I is approximately HK$5,332,000 (31 December 2012: HK$16,144,000). No conversion was noted for the years ended 31 December 2013 and 2012.

### Convertible Bonds Issued in 2011

(b) On 11 April 2011 ("Issue Date II"), the Company issued a new convertible bond for a principal amount of HK$360,000,000 ("Convertible Bond II") to seven independent third parties.

The maturity date of the Convertible Bond II is on 11 April 2014 ("Maturity Date II"). The Convertible Bond II carries 1.5% coupon interest per annum payable semi-annually and will be redeemed at its principal amount at the Maturity Date II by the Company.

## 35. CONVERTIBLE LOAN NOTES (continued)

### Convertible Bonds Issued in 2011 (continued)

(b) (continued)

The Convertible Bond II are convertible into shares at any time after the Issue Date II up to, but excluding, the close of business on the Maturity Date II at the conversion price of HK$0.45 per share, subject to anti-dilutive adjustments.

The Convertible Bond II contains debt component and conversion option derivative (the "Derivative Component II"). The conversion option is classified as a derivative as it will be settled by an exchange of a variable amount of cash for a fixed number of the Company's own equity instruments on the basis that the Convertible Bond II is denominated in foreign currency of the Company.

At the date of issue, the debt component was recognised at fair value, calculated based on the present value of the redemption amount at maturity. In subsequent periods, the debt component is carried at amortised cost using the effective interest method. The effective interest rate of the debt component is 14.49% per annum.

The Derivative Component II is measured at fair values at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss.

Binomial model is used for valuation of the Derivative Component II. The major inputs into the model were as follows:

| | **31 December 2013** | 31 December 2012 | 27 November 2012 | 22 November 2012 |
|---|---|---|---|---|
| Stock price | **HK$0.50** | HK$0.49 | HK$0.49 | HK$0.53 |
| Exercise price | **HK$0.45** | HK$0.45 | HK$0.45 | HK$0.45 |
| Volatility (Note a) | **60%** | 46% | 48% | 48% |
| Dividend yield | **0%** | 0% | 0% | 0% |
| Option life | **0.28 years** | 1.28 years | 1.37 years | 1.39 years |
| Risk free rate (Note b) | **0.05%** | 0.03% | 0.12% | 0.13% |

Notes:

(a) The volatility used in the model was determined with reference to the average of the Company and comparable companies' historical volatility.

(b) The risk free rate used in the model was reference to Hong Kong Government Bond Face value at the end of the reporting period.

The fair value of the Convertible Bond II with Derivatives Component II was determined with reference to a valuation report carried out by an independent valuer, on Issue Date II at approximately HK$360,000,000. On 22 November 2012 and 27 November 2012, the principal amounts of HK$90,000,000 and HK$112,500,000 respectively were converted into shares of the Company at a conversion price of HK$0.45 per share by exercising the conversion option. As at 31 December 2013, the principal amount remains outstanding is HK$112,500,000 (2012: HK$112,500,000). The carrying amount of the debt component of the Convertible Bond II is approximately HK$108,565,000 (31 December 2012: HK$95,436,000) and the fair value of the Derivative Component II of the Convertible Bond II is approximately HK$19,582,000 (2012: HK$38,143,000), respectively. At 31 December 2013 and 2012, the Convertible Bond II is classified as current liabilities and non-current liabilities.

## 36. SHARE CAPITAL

| | THE GROUP AND THE COMPANY | | | |
|---|---|---|---|---|
| | **2013** | | 2012 | |
| | **Number of shares** | **HK$'000** | Number of shares | HK$'000 |
| Ordinary shares of HK$0.25 each | | | | |
| Authorised: | | | | |
| At beginning and end of year | **4,000,000,000** | **1,000,000** | 4,000,000,000 | 1,000,000 |
| Issued and fully paid: | | | | |
| At beginning of year | **2,692,141,179** | **673,035** | 2,242,141,179 | 560,535 |
| Exercise of conversion option of a convertible loan note | **–** | **–** | 450,000,000 | 112,500 |
| At end of year | **2,692,141,179** | **673,035** | 2,692,141,179 | 673,035 |

In November 2012, the Company allotted and issued a total of 450,000,000 shares at a price of HK$0.45 each to the holders of Convertible Bond II. The new shares rank pari passu with the existing shares in all respects.

## 37. SHARE-BASED PAYMENT TRANSACTIONS

On 29 May 2012, the Company terminated the share options scheme adopted on 7 June 2002 (the "2002 Scheme") and a new share option scheme (the "2012 Scheme") which was adopted at the annual general meeting held on 25 May 2012 became effective. Under the 2012 Scheme, the Board of Directors (the "Board") of the Company may, subject to and in accordance with the provisions of the 2012 Scheme and the Listing Rules of the Stock Exchange, grant share options to any eligible participant to subscribe for shares in the capital of the Company. The options granted under the 2002 Scheme remain valid until those options lapsed on their expiry date.

Qualifying grantees of the 2012 Scheme include any director (including executive, non-executive and independent non-executive), executive, officer, employee, shareholder of the Company or any of the subsidiaries or any of the associated companies or any of the jointly controlled entitles and any supplier, customer, consultant, adviser, agent partner or business associate, who will contribute or has contributed to the development and growth of the Group. Unless otherwise cancelled or amended, the 2012 Scheme will remain in force for a period of ten years from 29 May 2012.

## 37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The maximum number of shares issued and to be issued upon exercise of options granted to each eligible participant under the 2012 Scheme (including exercised, cancelled and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company in issue, as at the date of grant.

The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised later than 10 years after it has been granted.

Same as the 2002 Scheme, HK$1 should be payable by the grantee on acceptance of an offer by the grantee under the 2012 Scheme. The exercise price per share in relation to an option shall be a price to be determined by the Board and shall be no less than the highest of (a) the official closing price of the shares of the Company as stated in the daily quotation sheet issued by the Stock Exchange on the date on which the option is offered to an eligible participant; (b) the official average closing prices of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of offer of option to an eligible participant; and (c) the nominal value of shares of the Company on the date of offer of option to an eligible participant. During the years ended 31 December 2013 and 2012, no share option was granted under the 2012 Scheme.

Pursuant to the 2002 Scheme and 2012 Scheme, share options held by any eligible participants/qualifying grantees will lapse automatically upon their termination of employment but the Board is empowered to extend the exercise period of the concerned share options at its discretion. Relevant exercise period of share options held by the eligible participants/qualifying grantees whose employment was terminated during the year was extended and approved by the Board. Such change does not constitute modification of the 2002 Scheme and 2012 Scheme.

## 37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The following tables disclose details and movements in share options under the 2002 Scheme during the years ended 31 December 2013 and 2012:

### For the year ended 31 December 2013

| | | | | Number of shares under options | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Category of grantees | Date of grant | Exercise period | Exercise price per share | At 1.1.2013 | Granted during the year | Transferred during the year | Exercised during the year | Lapsed during the year | At 31.12.2013 |
| Directors | 14.3.2003 | 14.3.2003 – 13.3.2013 | HK$0.495 | 3,200,000 | – | – | – | (3,200,000)[3] | – |
| | 19.1.2007 | 19.1.2007 – 18.1.2017 | HK$0.406 | 2,137,810 | – | (1,714,000) | – | – | 423,810 |
| | 22.1.2008 | 22.1.2008 – 21.1.2018 | HK$0.780 | 28,600,000 | – | (11,800,000) | – | – | 16,800,000 |
| | 16.12.2009 | 16.12.2009 – 15.12.2019 | HK$0.596 | 18,750,000 | – | (8,750,000) | – | – | 10,000,000 |
| | 14.12.2010 | 14.12.2010 – 13.12.2020 | HK$0.420 | 35,000,000 | – | (3,000,000) | – | – | 32,000,000 |
| | | | | 87,687,810 | – | (25,264,000) | – | (3,200,000) | 59,223,810 |
| Employees of the Group | 18.3.2004 | 18.3.2004 – 17.3.2014 | HK$1.200 | 4,000,000 | – | – | – | – | 4,000,000 |
| | 22.1.2008 | 22.1.2008 – 21.1.2018 | HK$0.780 | 79,000,000 | – | – | – | (44,500,000)[1] | 34,500,000 |
| | | | | 83,000,000 | – | – | – | (44,500,000) | 38,500,000 |
| Other participants | 14.3.2003 | 14.3.2003 – 13.3.2013 | HK$0.495 | 14,069,000 | – | – | – | (14,069,000)[3] | – |
| | 18.3.2004 | 18.3.2004 – 17.3.2014 | HK$1.200 | 11,982,000 | – | – | – | – | 11,982,000 |
| | 19.1.2007 | 19.1.2007 – 18.1.2017 | HK$0.406 | 10,434,000 | – | 1,714,000 | – | – | 12,148,000 |
| | 22.1.2008 | 22.1.2008 – 21.1.2018 | HK$0.780 | 29,200,000 | – | 11,800,000 | – | – | 41,000,000 |
| | 16.12.2009 | 16.12.2009 – 15.12.2019 | HK$0.596 | – | – | 8,750,000 | – | – | 8,750,000 |
| | 14.12.2010 | 14.12.2010 – 13.12.2020 | HK$0.420 | – | – | 3,000,000 | – | – | 3,000,000 |
| | | | | 65,685,000 | – | 25,264,000 | – | (14,069,000) | 76,880,000 |
| | | | | 236,372,810 | – | – | – | (61,769,000) | 174,603,810 |
| Exercisable at the end of the year | | | | 236,372,810 | | | | | 174,603,810 |
| Weighted average exercise price per share | | | | HK$0.700 | | | | | HK$0.700 |

## 37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### For the year ended 31 December 2012

| Category of grantees | Date of grant | Exercise period | Exercise price per share | Number of shares under options: At 1.1.2012 | Granted during the year | Transferred during the year | Exercised during the year | Lapsed during the year | At 31.12.2012 |
|---|---|---|---|---|---|---|---|---|---|
| Directors | 15.11.2002 | 15.11.2002 – 14.11.2012 | HK$0.580 | 5,216,000 | (400,000) | (400,000) | – | (4,816,000)[2] | – |
| | 14.3.2003 | 14.3.2003 – 13.3.2013 | HK$0.495 | 3,200,000 | – | – | – | – | 3,200,000 |
| | 19.1.2007 | 19.1.2007 – 18.1.2017 | HK$0.406 | 3,851,810 | (1,714,000) | (1,714,000) | – | – | 2,137,810 |
| | 22.1.2008 | 22.1.2008 – 21.1.2018 | HK$0.780 | 32,200,000 | (1,800,000) | (1,800,000) | – | (1,800,000)[1] | 28,600,000 |
| | 16.12.2009 | 16.12.2009 – 15.12.2019 | HK$0.596 | 18,750,000 | – | – | – | – | 18,750,000 |
| | 14.12.2010 | 14.12.2010 – 13.12.2020 | HK$0.420 | 35,000,000 | – | – | – | – | 35,000,000 |
| | | | | 98,217,810 | (3,914,000) | (3,914,000) | – | (6,616,000) | 87,687,810 |
| Employees of the Group | 18.3.2004 | 18.3.2004 – 17.3.2014 | HK$1.200 | 4,000,000 | – | – | – | – | 4,000,000 |
| | 22.1.2008 | 22.1.2008 – 21.1.2018 | HK$0.780 | 79,000,000 | – | – | – | – | 79,000,000 |
| | | | | 83,000,000 | – | – | – | – | 83,000,000 |
| Other participants | 15.11.2002 | 15.11.2002 – 14.11.2012 | HK$0.580 | 40,130,000 | 400,000 | 400,000 | – | (40,530,000)[2] | – |
| | 14.3.2003 | 14.3.2003 – 13.3.2013 | HK$0.495 | 14,069,000 | – | – | – | – | 14,069,000 |
| | 18.3.2004 | 18.3.2004 – 17.3.2014 | HK$1.200 | 11,982,000 | – | – | – | – | 11,982,000 |
| | 19.1.2007 | 19.1.2007 – 18.1.2017 | HK$0.406 | 8,720,000 | 1,714,000 | 1,714,000 | – | – | 10,434,000 |
| | 22.1.2008 | 22.1.2008 – 21.1.2018 | HK$0.780 | 27,400,000 | 1,800,000 | 1,800,000 | – | – | 29,200,000 |
| | | | | 102,301,000 | 3,914,000 | 3,914,000 | – | (40,530,000) | 65,685,000 |
| | | | | 283,518,810 | – | – | – | (47,146,000) | 236,372,810 |
| Exercisable at the end of the year | | | | 283,518,810 | | | | | 236,372,810 |
| Weighted average exercise price per share | | | | HK$0.681 | | | | | HK$0.700 |

All share options are vested at the date of grant.

1 These share options were lapsed in 2013 and 2012 upon resignation of the director and the employee during the year.

2 The outstanding share options granted by the Company in 2002 entitling the grantees to subscribe for shares in the capital of the Company at an exercise price of HK$0.58 per share lapsed on 15 November 2012.

3 The outstanding share options granted by the Company in 2003 entitling the grantees to subscribe for shares in the capital of the Company at an exercise price of HK$0.495 per share lapsed on 14 March 2013.

## 38. RESERVES

| | Share premium HK$'000 | Capital redemption reserve HK$'000 (Note 1) | Capital reserve HK$'000 (Note 2) | Share option reserve HK$'000 | Translation reserve HK$'000 | Accumulated loss HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **THE COMPANY** | | | | | | | |
| At 1 January 2012 | 667,544 | 2,084 | 53,690 | 38,938 | 37,949 | (641,956) | 158,249 |
| Loss for the year | – | – | – | – | – | (215,127) | (215,127) |
| Exchange difference arising during the year | – | – | – | – | 3,298 | – | 3,298 |
| Total comprehensive income (expenses) for the year | – | – | – | – | 3,298 | (215,127) | (211,829) |
| Share issued upon exercise of a convertible bond | 134,910 | – | – | – | – | – | 134,910 |
| Lapse/forfeiture of share options | – | – | – | (324) | – | 324 | – |
| At 31 December 2012 and 1 January 2013 | 802,454 | 2,084 | 53,690 | 38,614 | 41,247 | (856,759) | 81,330 |
| Profit for the year | – | – | – | – | – | 26,224 | 26,224 |
| Exchange difference arising during the year | – | – | – | – | 39,926 | – | 39,926 |
| Total comprehensive income for the year | – | – | – | – | 39,926 | 26,224 | 66,150 |
| Lapse/forfeiture of share options | – | – | – | (6,729) | – | 6,729 | – |
| At 31 December 2013 | 802,454 | 2,084 | 53,690 | 31,885 | 81,173 | (823,806) | 147,480 |

Notes:

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

2. By a special resolution passed at an extraordinary general meeting and subsequently approved by the Supreme Court of Hong Kong in 1993, the share premium of the Company was reduced by an amount of HK$270,000,000. This amount was used to reduce the Company's accumulated losses of HK$216,310,000 and the balance of HK$53,690,000 was credited to the Company's capital reserve which is non-distributable. At the end of the reporting period, the Company did not have any reserve available for distribution (2012: HK$53,690,000).

## 39. DEFERRED TAXATION

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

| | Impairment loss on trade receivables | Impairment loss on amounts due from customers for contract work | Total |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| **THE GROUP** | | | |
| At 1 January 2012 | (1,860) | (8,011) | (9,871) |
| Exchange realignment | 1 | 5 | 6 |
| Charged to profit or loss for the year | 1,859 | 8,006 | 9,865 |
| At 31 December 2012 and 2013 | – | – | – |

At 31 December 2013, the Group has unused tax losses of approximately HK$631,439,000 (2012: HK$416,940,000) which are available for offsetting against future profits. No deferred tax asset has been recognised in respect of the tax loss due to the unpredictability of future profit streams for both years. Except below, other losses can be carried forward indefinitely.

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Tax losses to be expired in | | |
| – 2013 | **–** | 47 |
| – 2014 | **19,695** | 17,367 |
| – 2015 | **45,138** | 40,361 |
| – 2016 | **141,345** | 132,730 |
| – 2017 | **32,735** | 28,916 |
| – 2018 | **176,903** | – |
| | **415,816** | 219,421 |

## 39. DEFERRED TAXATION (continued)

During the year ended 31 December 2012, subsidiaries with unused tax losses of approximately HK$155,717,000 were de-registered or disposed of. During the year ended 31 December 2013, the Inland Revenue Department of Hong Kong finalised the tax assessments of certain group entities submitted in prior years and the tax loss of the Group and the Company was adjusted downward by HK$5,307,000 (2012: HK$128,018,000) and Nil (2012: HK$102,197,000) respectively.

As at 31 December 2013, the Company had unrecognised tax losses amounting to approximately HK$144,791,000 (2012: HK$114,650,000) which can be carried forward indefinitely. No deferred tax asset has been recognised due to the unpredictability of future profit scheme.

Under the EIT Law 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 the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$95,025,000 (2012: HK$40,146,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 40. DISPOSAL OF SUBSIDIARIES

(a) On 31 December 2012, the Company disposed of its entire equity interest in a wholly-owned inactive subsidiary, Santai Manufacturing Limited ("Santai Manufacturing"), to an independent third party at a cash consideration of HK$40,000. The disposal was completed on 31 December 2012, on which date the Group passed the control of Santai Manufacturing to the purchaser. The net assets of Santai Manufacturing was HK$32,000 including bank balances of HK$28,000 on that date, and the disposal resulted in a gain of approximately HK$8,000. The consideration was settled in cash by the purchaser during the year ended 31 December 2012.

(b) On 26 December 2012, a subsidiary of the Company disposed of its entire 51% equity interest in a subsidiary, Zhejiang Sinostride Energy Saving Technology Co. Limited ("Energy Saving"), to two shareholders of the non-controlling shareholder of Energy Saving at a cash consideration of RMB6,000,000 (equivalent to HK$7,400,000). The disposal was completed on 26 December 2012, when the control of Energy Saving is passed to the purchasers. The disposal resulted in a gain of approximately HK$7,978,000 and the deferred consideration was settled in cash in 2013.

## 40. DISPOSAL OF SUBSIDIARIES (continued)

(b) (continued)

The net assets of Energy Saving at the date of disposal were as follows:

| | 26 December 2012 |
|---|---|
| | HK'$000 |
| Net assets disposed of: | |
| Property, plant and equipment | 2,517 |
| Intangible assets | 1,394 |
| Inventories | 20,033 |
| Trade receivables | 35,532 |
| Prepayments and other receivables | 15,280 |
| Amounts due from group companies | 5,010 |
| Bank balances and cash | 532 |
| Trade and other payables | (11,246) |
| Tax liabilities | (189) |
| Bank borrowings | (81,398) |
| Net liabilities disposed of | (12,535) |
| Non-controlling interests | 6,161 |
| | (6,374) |
| Loss on issuing of financial guarantee contracts | 5,796 |
| Gain on disposal, net | 7,978 |
| Total consideration | 7,400 |
| Net cash outflow arising on disposal: | |
| Cash consideration | – |
| Less: bank balances and cash disposed of | (532) |
| | (532) |

## 40. DISPOSAL OF SUBSIDIARIES (continued)

(b) (continued)

The Company and a subsidiary of the Company provided guarantee to banks on certain of Energy Saving's bank borrowings. As part of the disposal of Energy Saving, the Company agreed to continue to provide such guarantee until its expiry between February 2013 and June 2018. Accordingly, the fair value of the financial guarantee contracts have been included in computing the net gain on disposal.

The consideration of the above disposal was included in other receivables as at 31 December 2012. After the disposal, the amount owed to Energy Saving by the Group of HK$5,010,000 was included in other payable at 31 December 2012 and fully repaid in 2013.

The cumulative exchange difference of HK$196,000 relating to translation of assets and liabilities of Energy Saving to HK$, presentation currency of the Group, was transferred to accumulated losses in 2012.

(c) In December 2011, the Company entered into agreements with independent third parties pursuant to which the Company agreed to sell the entire issued share capital of Santai Electronics Limited ("Santai Electronics") and Aberdeen Investments Limited ("Aberdeen Investments"), wholly-owned subsidiaries of the Group engaging in property investment, for a total cash consideration of RMB53,000,000 (equivalent to approximately HK$65,122,000 based on exchange rate prevailing at 31 December 2011) in aggregate. The disposal was completed on 22 June 2012, on which the control of Santai Electronics and Aberdeen Investments was passed to the purchasers. The net assets of Santai Electronics and Aberdeen Investments at the completion date of disposals were HK$65,801,000. The disposals resulted in a loss of approximately of HK$301,000 for the year ended 31 December 2012 and the consideration of an amount of HK$13,038,000 and HK$51,742,000 after the payment of transaction costs amounting to HK$70,000 was received in 2011 and 2012, respectively.

## 40. DISPOSAL OF SUBSIDIARIES (continued)

(d) Net cash inflow from investing activities on disposal of certain subsidiaries in current and prior years.

| | 2012<br>HK$'000 |
|---|---|
| **Disposal in 2012** | |
| Disposal of Santai Manufacturing (note 40(a)) | 12 |
| Disposal of Energy Saving (note 40(b)) | (532) |
| Disposal of Santai Electronics and Aberdeen Investments (note 40(c)) | 51,742 |
| | 51,222 |
| **Settlement of consideration for disposal before 2012** | |
| Disposal of Remarkable in 2009 (note 15(b)) | 120,475 |

(e) Gain on disposal of subsidiaries, net

| | 2012<br>HK'$000 |
|---|---|
| **Continuing operations** | |
| Gain on disposal of Santai Manufacturing (note 40(a)) | 8 |
| Gain on disposal of Energy Saving, net (note 40(b)) | 7,978 |
| Loss on disposal of Santai Electronics and Aberdeen Investments | (301) |
| Gain on disposal of subsidiaries, net (note 40(c)) | 7,685 |

## 41. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

On 7 January 2013, Sino Stride (HK) Limited ("Sino Stride HK"), a wholly-owned subsidiary of the Company, entered into a disposal agreement with Carrier Asia, a non-controlling shareholder of SST, pursuant to which Sino Stride HK agreed to sell to the Carrier Asia 20% of the registered capital of SST, a subsidiary of Sino Stride HK that is involved in development and provision of system integration solutions, system design and sales of system hardware, for a cash consideration of RMB58,300,000 (equivalent to approximately HK$71,969,000).

The transaction was completed on 17 January 2013, and the Group's equity interest in SST was reduced from 78.5% to 58.5% upon completion. After completion of disposal of SST, the Directors of the Company made an assessment of control over SST and consider that the Group still maintains control over SST in accordance with the definition of control and the related guidance set out in HKFRS 10.

The partial disposal of SST is accounted for as an equity transaction, resulting in net amount of HK$20,240,000 (less income tax effect of approximately HK$1,215,000) being recognised in accumulated losses.

## 41. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY (continued)

Pursuant to the relevant tax laws in the PRC, the Group has provided capital gain tax of approximately HK$4,483,000 arising from the disposal of SST based on 10% of the difference between the cash consideration and 20% of registered capital of SST, of which HK$1,215,000 and HK$3,268,000 is recognised in equity and profit or loss, respectively.

In addition, Sino Stride HK has granted a call option to Carrier Asia whereby Carrier Asia has a right to acquire up to 75% of the registered capital of SST from Sino Stride HK and/or its affiliates during the period from 1 January 2015 to 31 December 2017 (the "Call Option").

The price for the exercise of the Call Option will be the fair market value of the amount of the equity of SST being purchased at the time the Call Option is exercised. The fair market value will be determined by Sino Stride HK and Carrier Asia or if the parties are unable to agree on such value within 20 days of the date of notice for the exercise of the Call Option, the parties will jointly appoint a reputable accounting firm registered in the PRC to determine the value of the equity being purchased. The fair value of the Call Option at the initial recognition and 31 December 2013 is considered as insignificant.

## 42. MAJOR NON-CASH TRANSACTIONS

In 2012, the principal amounts of Convertible Bond II amounting to HK$202,500,000 were converted into shares of the Company at a conversion price of HK$0.45 per share.

## 43. OPERATING LEASES

### The Group and the Company as lessee

Minimum lease payments paid by the Group under operating leases during the year amounted to approximately HK$4,185,000 (2012: HK$5,400,000).

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

| | **THE GROUP** | | **THE COMPANY** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Within one year | **3,548** | 5,189 | **1,783** | 1,719 |
| In the second to fifth year inclusive | **1,858** | 5,264 | **1,645** | 3,491 |
| Over five years | **–** | 3 | **–** | – |
| | **5,406** | 10,456 | **3,428** | 5,210 |

Operating lease payments represent rentals payable by the Group and the Company for certain of its office properties and quarters for Directors and staff. Leases are negotiated and rentals are fixed for terms ranging from one to ten years.

## 43. OPERATING LEASES (continued)

### The Group as lessor

Property and motor vehicles rental income earned during the year was approximately HK$1,649,000 (2012: HK$2,944,000), less direct operating expenses of approximately HK$302,000 (2012: HK$580,000) which was included in loss for the year from discontinued operations in the consolidated statement of profit or loss and other comprehensive income.

The Group leases its investment properties and motor vehicles under operating lease arrangements with leases negotiated for terms ranging from one to five years. All the properties held have committed tenants for the next year (2012: for the next year). All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

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

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **264** | 2,200 |

## 44. CAPITAL COMMITMENT

| | **THE GROUP** | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment | **–** | 785 |

## 45. CONTINGENT LIABILITIES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Guarantee given to banks, in respect of banking facilities to third parties | | | | |
| – amount that could be required to be paid if the guarantee was called upon in entirety | **126,218** | 148,613 | **–** | 30,833 |
| – amount utilised | **111,482** | 104,214 | **–** | 18,500 |
| Guarantee given to banks in respect of banking facilities obtained by subsidiaries | | | | |
| – amount guaranteed | **–** | – | **640,572** | 628,983 |
| – amount utilised | **–** | – | **365,071** | 404,522 |

Other than disclosed in note 40(b), at 31 December 2013 and 2012, the Group and the Company have provided guarantees to banks in respect of banking facilities granted to subsidiaries at nil consideration. In addition, the Group entered into a cross guarantee arrangement with third parties whereby the third parties have also provided guarantee to banks in respect of Sinostride Technology's banking facilities for the years ended 31 December 2013 and 2012.

During the year ended 31 December 2013, the Group has provided additional or renewed the existing financial guarantees to the third parties and fair value of these financial guarantees is approximately HK$4,769,000 at initial recognition based on valuation performed by an independent valuer, Messrs. Jones Lang LaSalle Corporate Appraisal and Advisory Limited. At the end of the reporting period, an amount of HK$2,283,000 (2012: HK$6,566,000) and Nil (2012: HK$863,000) has been recognised as liabilities in the consolidated statement of financial position and the Company's statement of financial position, respectively. At 31 December 2013, no further provision for financial guarantee contracts has been made as the Directors consider that the default risk of borrowers is low.

In addition, the Company has provided guarantees to banks in respect of banking facilities granted to the DTV Disposal Group amounting of HK$512,560,000 (2012: HK$493,320,000), of which HK$237,059,000 (2012: HK$268,859,000) has been utilised by the DTV Disposal Group as at 31 December 2013. The Directors consider that the fair value of these financial guarantees at initial recognition is insignificant. No provision for financial guarantee contracts has been made in the Company's statement of financial position as at 31 December 2013 and 2012.

## 46. RETIREMENT BENEFIT SCHEMES

The Group operates a Hong Kong Mandatory Provident Fund Scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Group contributes 5% of relevant payroll costs to the MPF Scheme, up to a maximum contribution of HK$1,250 effective from 1 June 2013 (2012: HK$1,250) per employee monthly, which contribution is matched by employees.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme (the "State-managed Scheme") operated by the local municipal government. These PRC subsidiaries are required to contribute 8% to 20% (2012: 8% to 20%) of its payroll costs to the State-managed Scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the State-managed Scheme.

The total cost charged to profit or loss of approximately HK$3,821,000 (2012: HK$5,206,000) represents contributions payable to the MPF Scheme and State-managed Scheme of approximately HK$24,000 (2012: HK$364,000) and HK$3,797,000 (2012: HK$4,842,000), respectively.

Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The amount of forfeited contributions utilised in this manner during the year was HK$261,000 (2012: Nil).

## 47. RELATED PARTY TRANSACTIONS

### (a) Transactions and balances with PRC government-related entities

The Group operated in an economic environment currently pre-denominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Shougang HK is a substantial shareholder of the Company. Shougang HK is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise under the direct supervision of the State Council of the PRC. Apart from the transactions with Shougang HK and its subsidiaries (collectively refer to the "Shougang HK Group") (which are disclosed below), the Group also conducts businesses with other PRC government-related entities in the ordinary course of business.

## 47. RELATED PARTY TRANSACTIONS (continued)

### (a) Transactions and balances with PRC government-related entities (continued)

#### *(i) Transactions with Shougang HK Group*

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Management fees paid | **660** | 660 |
| Interest expenses paid to a related company | **912** | 3,906 |

In 2013, the Group obtained loans from Shougang HK Group of HK$92,647,000 (2012: HK$116,400,000). The borrowings were fully settled with interest expenses of HK$912,000 (2012: HK$3,906,000) for the year.

#### *(ii) Transactions with Southern Yinshi*

As described in note 15(a), the Group is no longer entitled to the 2010 Arrangement Income. Southern Yinshi agreed to pay an amount of HK$69,548,000 for the Provision of DTV Technical Services and Leasing of DTV Equipment rendered by the Disposal Group to the local DTV project companies and Southern Yinshi for the six months ended 30 June 2012.

As at 31 December 2013, trade receivable due from Southern Yinshi amounting to approximately HK$180,122,000 (2012: HK$173,361,000) is included in disposal group classified as held-for-sale in note 15(a).

#### *(iii) Transactions with other PRC government-related entities*

The Group has entered into various transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions which are PRC government-related entities in its ordinary course of business. In addition, the Group also carried out intelligent information business with certain government-related entities. In view of the nature of these transactions, the Directors are of the opinion that separate disclosure would not be meaningful.

### (b) Transactions and balances with non-PRC government-related entities

(i) During the year ended 31 December 2013, the Group obtained a loan of HK$15,000,000 from a shareholder of the Company, Mega Start Limited ("Mega Start") (which was wholly-owned by Mr. Chan Chit, a former director). The loan was fully settled together with interest expenses of HK$116,000 in the same year.

In the second half of 2011, the Group obtained a loan from Mega Start and the outstanding balance of HK$17,000,000 at 31 December 2011 was fully settled together with interest expense of HK$33,000 for the year ended 31 December 2012.

## 47. RELATED PARTY TRANSACTIONS (continued)

### (b) Transactions and balances with non-PRC government-related entities (continued)

(ii) The following guarantees were provided to banks to secure general banking facilities granted to the Group:

| Guarantor | Relationship | Type of guarantee | Guarantee amount | |
|---|---|---|---|---|
| | | | **31 December 2013 HK$'000** | 31 December 2012 HK$'000 |
| Mr. Chau Chit | Former director (resigned on 24 October 2013) | Personal guarantee of the Company | **19,221** | 49,332 |

(iii) Compensation of key management personnel

The remuneration of key management members, who are the Directors of the Group during the year, was as follows:

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Short term benefits | **8,991** | 8,260 |
| Post-employment benefits | **200** | 240 |
| | **9,191** | 8,500 |

The remuneration of executive directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

**(c)** Details of balances with related parties of the Group and the Company are set out in the Company's statement of financial position and the Group's consolidated statement of financial position on pages 55 to 58 and notes 23 and 30 to the consolidated financial statements.

## 48. EVENT AFTER THE REPORTING PERIOD

On 17 January 2014, the Company and San Tai Investment Company Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the vendor, Leader Well Management Limited ("Leader Well"), to purchase Leader Well's 100% equity interest in Hillview Golf Development Company Limited ("Hillview") at consideration of approximately RMB585,000,000 (equivalent to approximately HK$743,100,000) by issuance of promissory note of the Company in favour of the vendor. Leader Well, which is a company incorporated in Hong Kong with limited liability, is wholly-owned and controlled by HNA International. Hillview holds 65% equity interest in Dongguan Hillview Golf Company Limited ("Dongguan Hillview").

Dongguan Hillview is principally engaged in operations of golf club and provision of hotel and leisure services.

After completion of the acquisition, the Group will be able to expand its business in the provision of recreational and tourism services. At the date these consolidated financial statements were authorised for issuance, the acquisition was not yet completed.

# FIVE-YEAR FINANCIAL SUMMARY

## RESULTS

| | For the years ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | **2013** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| Attributable to: | | | | | |
| Owners of the Company | 141,197 | 9,507 | (148,642) | (379,628) | **(318,378)** |
| Non-controlling interests | 1,755 | (676) | 4,970 | (15,919) | **(37,052)** |
| | 142,952 | 8,831 | (143,672) | (395,547) | **(355,430)** |
| Earnings (loss) per share | | | | | |
| Basic (HK cents) | 6.87 | 0.44 | (6.79) | (16.59) | **(11.83)** |
| Diluted (HK cents) | – | – | – | – | **–** |
| Dividends | – | – | – | – | **(11.83)** |

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | At the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | **2013** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| Total assets | 2,686,899 | 3,234,810 | 3,080,299 | 2,548,311 | **2,069,470** |
| Total liabilities | (1,423,518) | (1,938,910) | (1,820,549) | (1,426,030) | **(1,185,226)** |
| | 1,263,381 | 1,295,900 | 1,259,750 | 1,122,281 | **884,244** |
| Equity attributable to owners of the Company | 1,218,953 | 1,249,671 | 1,205,682 | 1,077,880 | **813,975** |
| Non-controlling interests | 44,428 | 46,229 | 54,068 | 44,401 | **70,269** |
| | 1,263,381 | 1,295,900 | 1,259,750 | 1,122,281 | **884,244** |