



亞洲聯網科技  
有限公司

**Asia Tele-Net and Technology Corporation Limited**  
(Incorporated in Bermuda with limited liability)  
(Stock Code : 0679)

**ANNUAL REPORT 2013**

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# Corporate Information

## BOARD OF DIRECTORS

Lam Kwok Hing (*Chairman & Managing Director*)

Nam Kwok Lun (*Deputy Chairman*)

Kwan Wang Wai Alan

(*Independent Non-executive Director*)

Ng Chi Kin David

(*Independent Non-executive Director*)

Cheung Kin Wai

(*Independent Non-executive Director*)

## COMPANY SECRETARY

Lui Choi Yiu Angela

## AUTHORISED REPRESENTATIVES

Lam Kwok Hing

Nam Kwok Lun

## AUDITOR

Deloitte Touche Tohmatsu

## REGISTERED OFFICE

Clarendon House

Church Street

Hamilton HM11

Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11 Dai Hei Street

Tai Po Industrial Estate

Tai Po, New Territories

Hong Kong

Tel: (852) 2666 2288

Fax: (852) 2664 0717

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Ltd

Taishin International Bank

Citibank, N.A.

## SHARE REGISTRARS AND TRANSFER OFFICES

### PRINCIPAL REGISTRARS AND TRANSFER OFFICE:

Butterfield Corporate Service Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

### HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE:

Tricor Secretaries Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

## CORPORATE WEBSITE

[www.atnt.biz](http://www.atnt.biz)

# Chairman's Statement and Management Discussions

## FINANCIAL RESULTS

During the year ended 31st December, 2013 ("the Period Under Review"), the Group recorded profit attributable to owners of the Company of approximately HK\$8,607,000 compared to the loss attributable to owners of the Company of approximately HK\$21,570,000 for the year ended 31st December, 2012 ("the Previous Period"). The Group's profit attributable to owners of the Company during the Period Under Review was primarily due to increase in revenue from approximately HK\$382,774,000 in the Previous Period to approximately HK\$470,839,000 in the Period Under Review and a net positive change in fair value of HK\$2,433,000 arose during the Period Under Review from the held-for trading investments in the listed securities compared to a net negative change of approximately HK\$6,314,000 as recorded in the Previous Period. The performance of the Group is further reviewed and elaborated in the following sections.

The basic earnings per share for the Period under Review was HK2.02 cents compared to the basic loss per share of HK5.06 cents for the Previous Period.

## BUSINESS REVIEW ON ELECTROPLATING EQUIPMENT (UNDER THE TRADE NAME OF "PAL")

The revenue for the Period Under Review was approximately HK\$470,839,000 or 23% more than the Previous Period. Higher revenue reported during the Period Under Review was mainly due to capacity expansion of our customers as a result of soft recovery of general economic environment and the steady increase in the demand of smartphone, telecommunication device and automobile electronics.

As far as business segment is concerned, approximately 76% of the revenue was generated from PCB sector (the Previous Period: approximately 65%), approximately 24% came from surface finishing sector (the Previous Period: approximately 34%) and approximately 0.2% derived from solar cell sector (the Previous Period: approximately 1%). In term of machines geographical installation base, the revenue composition during the Period Under Review was 52% machine values were installed in PRC (34% in the Previous Period), 17% in Korea (10% in the Previous Period), 4% in Russia (2.5% in the Previous Period), 3% in USA (3% in the Previous Period), 3% in Germany (4% in the Previous Period), 2.8% in Taiwan (8% in Previous Period), and 18.2% in rest of the world.

Despite the increase in revenue, we continue to tighten our costs control measures which was why there was no corresponding increase in administrative expenses. During the Period Under Review, the administrative expenses was reduced from approximately HK\$100,660,000 as incurred in the Previous Period to approximately HK\$92,903,000 this year. The selling and distribution costs was slightly increased from approximately HK\$15,470,000 (about 4% of total revenue of the Previous Period) to approximately HK\$21,971,000 (about 4.7% of total revenue of the Period Under Review). It was because the revenue generated by our appointed agents was proportionally higher this year. The allowance for bad and doubtful debts was increased from approximately HK\$4,195,000 as incurred in the Previous Period to HK\$8,895,000 as incurred in the Period Under Review. The Group's gross profit margin remains fairly the same and was within the range of 27% in the Period Under Review.

# Chairman's Statement and Management Discussions

## Electroplating Equipment-Printed Circuit Boards ("PCB") Sector

This sector is traded through our subsidiary Process Automation International Ltd ("PAL").

The PCB business is of cyclical nature. After softer-than-expected activity during 2012, growth has begun picking up in first half of 2013, which by large was driven by the increasing demand seen in smartphones, telecommunication devices and automobile electronics.

Back in August 2013, the time when we issued our 2013 interim report, IDC<sup>1</sup> predicted that shipment of smartphones would grow by 27% to 918 million units for the year 2013. According to the latest IDC Worldwide Quarterly Mobile Phone Tracker, vendors shipped a total of 1,004.2 million smartphones worldwide, up 38.4% from the 725.3 million units in 2012. It was the first time that worldwide smartphone market shipped over one billion units in a single year!

Table 1: Top Five Smartphone Vendors, Shipments, and Market Share, 2013 (Units in Millions)

Vendor	2013 Shipment Volumes	2013 Market Share	2012 Shipment Volumes	2012 Market Share	Year- over-Year Change
Samsung	313.9	31.3%	219.7	30.3%	42.9%
Apple	153.4	15.3%	135.9	18.7%	12.9%
Huawei	48.8	4.9%	29.1	4.0%	67.5%
LG	47.7	4.8%	26.3	3.6%	81.1%
Lenovo	45.5	4.5%	23.7	3.3%	91.7%
Others	394.9	39.3%	290.5	40.1%	35.9%
<b>Total</b>	<b>1,004.2</b>	<b>100.0%</b>	725.3	100.0%	38.4%

Source: IDC's Worldwide Quarterly Mobile Phone Tracker

"Among the top trends driving smartphone growth are large screen devices and low cost," said Ryan Reith, Program Director with IDC's Worldwide Quarterly Mobile Phone Tracker. "Of the two, I have to say that low cost is the key difference maker. Cheap devices are not the attractive segment that normally grabs headlines, but IDC data shows this is the portion of the market that is driving volume. Markets like China and India are quickly moving toward a point where sub-US\$150 smartphones are the majority of shipments."

During the Period Under Review, PAL shipped batches of electroplating machines to PCB makers who produce boards for Samsung and other phone vendors. The increased number of smartphone has also driven network providers to increase their carrying capacity. During the Period Under Review, PAL also shipped batches of machines to PCB makers who are in telecommunication industry.

<sup>1</sup> International Date Corporation (IDC) is a premier global provider of market intelligence, advisory services for the information technology, telecommunications and customer technology market.

# Chairman's Statement and Management Discussions

The growth of automotive PCB is slow but steady. According to a research carried out by N.T. Information Ltd, the average usage of PCB by a car is US\$50. Selling machines to PCB makers who produces PCB for automobile industry is also one of the key drivers for the increase of revenue this year.

Table 2: Auto Shipments and PCB usage for automotive electronics

Year	2009	2010	2011	2012	2013F	2014F
Auto Shipment (M)	62.30	74.1	79.7	85.7	88.00	92.00
PCB Usage (US\$M)	2,800	3,550	3,860	4,053	4,285	4,540

Source: Electronic Outlook Corporation & NT Information Ltd

Despite the disappointing news from Moscow-based Federal Statistic Services reported that the GDP of Russia advanced 1.3% only in 2013, the least since 2009 recession, PAL has indeed shipped seven machines to Russian customers. This was the best year ever for PAL as far as Russian market is concerned.

## Electroplating Equipment-Surface Finishing ("SF") Sector

This sector is traded through our subsidiary PAL Surface Treatment Systems Ltd ("PSTS").

The revenue of the SF sector remains second largest source of income to the Group. However, it has decreased slightly by 10% from approximately HK\$114,340,000 in the Previous Period to approximately HK\$102,358,000 for the Period under Review. During the Period Under Review, PSTS continued to supply plating equipment of various size to companies who provide coating services for applications in mint, automotive, aerospace and mechanical engineering. However, the number of enquiries for transplant projects to China or other new emerging markets in Asia has dropped significantly during the Period Under Review. We believe there were two major factors contributing to this. Firstly, the tightening of pollution controls in China. China unveiled the 2011-2015 guideline on fighting water pollution in 2012, setting the goal that 60% of the country's major rivers and lakes should be clean enough to be sources of drinking water supply by the end of 2015. For industry, pollution controls could cause a costly upheaval after three decades of breakneck growth with little official concern about damage to China's air, water and soil. After the closure of the recent National People's Congress and Chinese Consultative Congress, the pollution controls would seem to tighten further. It shall mean our customers would have to put extra resources and time in getting business license for their plating factories in China. Secondly, the shift of investment focus to non-Asian countries. Global foreign direct investment ("FDI") increased by 11% in 2013 to an estimated USD1.46 trillion, with the lion's share going to developing countries, according to the UN Conference on Trade and Development (UNCTAD) report. The increase for developing economies was mainly driven by Latin America, the Caribbean and Africa; while for developing economies in Asia, the world's largest recipient region for FDI, saw flows at a level similar to 2012. PSTS has presence covered in Greater China region and developed countries but has yet to have any presence in countries such as Latin America, the Caribbean and Africa.

# Chairman's Statement and Management Discussions

## Electroplating Equipment – Photo Voltaic (“Solar”) Sector

This sector is traded through our subsidiary Process Automation International Ltd (“PAL”).

During the Period Under Review, the global overcapacity issue in solar panel manufacturing sector still clouded over us. The manufacturers in the industry restrained themselves from any further capacity investments. As a result, the Group reported revenue for the segment was only approximately HK\$1,000,000 in the Period Under Review.

Like last year, we decide to continue to invest in this segment as we believe the current over capacity issue is just a short term setback. We see green energy a long term goal which will be pursued by all governments in the long run. Unfortunately, while companies or consumers recognize the importance of environmental issues, but investing in green initiatives shall also represent additional cost. At the moment, green energy has not yet fully achieved a cost equilibrium when comparing to traditional energy and hence not attracting vast consumption in this area yet. Nevertheless, the Group believes that it is important to stay in this sector to be able to ride on the recovering wave which is yet to come.

## Net Change in Fair Value of Held-For-Trading Investments

The Group has invested in held-for-trading investments. These investments represent equity securities listed in Hong Kong and are being revalued at market value periodically. Hang Seng Index rose by 3% in year 2013 while the Hang Seng China Enterprises Index dropped by 5%. Despite the strong rallies of US and European markets, the Hong Kong market was underperformed, given worries about Mainland's economic growth and credit conditions. The Group recorded a net positive change in fair value of approximately HK\$2,433,000 from held-for-trading investments compared to a net negative change of approximately HK\$6,314,000 as recorded in the Previous Period.

## Outlook

The global economy is expected to make a hesitant and uneven recovery over the coming two years. Governments must act decisively, using all the tools at their disposal to turn confidence around and boost growth and jobs in their home countries. As an equipment provider, our business will prosper only if the economic situation in general is healthy. When the world economy is far from being out of the wood, we expect revenue will remain fairly the same in the coming year, the profit margin may be squeezed in the coming year for reasons elaborated below.

The year begins with not so encouraging news from IDC that China smartphone shipments shrink after two years of growth. Shipments of smartphones in China fell 4.3% quarter-on-quarter to 90.8 million from 94.8 million units, the first drop-off since the second quarter of 2011. This could be attributable by the rise of local Chinese mobile vendors such as Coolpad and Xiaomi and hence reducing the need of importation from other foreign brands.

# Chairman's Statement and Management Discussions

2014 shipment forecast prepared by Gartner for various electronics device is fairly moderate compared to last year. Their view is mobile phones are a must have and will continue to grow but at a slower pace, with opportunities moving away from the top-end premium devices to mid-end basic products.

Table 3: Worldwide Device Shipments by Segment (Thousands of Units)

Device Type	2012	2013	2014	2015
PC (Desk-Based and Notebook)	341,273	299,342	277,939	<b>268,491</b>
Tablet (Ultramobile)	119,529	179,531	263,450	<b>324,565</b>
Mobile Phone	1,746,117	1,804,334	1,893,425	<b>1,964,788</b>
Other Ultramobiles (Hybrid and Clamshell)	9,344	17,195	39,636	<b>63,835</b>
<b>Total</b>	<b>2,216,322</b>	<b>2,300,402</b>	<b>2,474,451</b>	<b>2,621,678</b>

Source: Gartner (December 2013)

The projected moderate increase shall mean any plan for capacity expansion from our customers in the coming year will be conservative. In addition, the selling price of mass produced PCB in China is dropping according to a recent research made by a research house, N.T. Information Ltd. This finding just collides with the prediction that the focus will shift to low cost mid-end basic mobile products. It is therefore foreseeable that PAL will face a more severe price pressure from its customers.

For years, like many players operating in China, we have been enjoying China's low salaries, strong supply base, high investment in port, road and rail infrastructure and solid engineering and technical labor force. The game changes fairly quickly in last few years whereby we face new challenges as the wages and other cost rise quicker in China than in other developing countries. The recent depreciation of renminbi may help a bit on our competitive edge in exporting to other countries. We view our major opportunities and challenges for the coming year as having remained consistently the same. Continuing to innovate and provision of good services remain the crucial factors in winning opportunities while increasing sales, reducing cost and improving productivity consistently appear at the top of our list of challenges.



# Chairman's Statement and Management Discussions

## PROPERTY DEVELOPMENT

### PROPERTY RE-DEVELOPMENT PLAN

Reference is made to the Company's announcement issued on 22nd August, 2011 with respect to an agreement and another announcement issued on 25th October, 2013 with respect to a supplemental agreement, both of which are collectively referred to as the "Agreements" and were entered into by a wholly-owned subsidiary of the Company with an independent third party ("Counter Party") in relation to a re-development plan ("Re-development") of two parcels of industrial land located in Bao An District, Shenzhen, the PRC, of the Group ("Land") from industrial land into residential properties for resale. Progress made on the Re-development Plan in accordance with the Agreement is updated below:–

- (1) The Project Company was established by the Counter Party in August 2011.
- (2) The Group has entered into a re-development contract ("Re-development Contract") and relocation compensation agreement ("Relocation Compensation Agreement") with the Project Company in September 2011.
- (3) The Project Company has applied for re-development of the Land since September 2011. As the approval involves several departments, the application is still under processed.
- (4) As of 31st December, 2012, the Group has received RMB40 million from the Counter Party as deposit for relocation compensation.
- (5) Before 25th October, 2013, the Project Company has obtained the approvals from the Longhua Sub-district Office, the Bao An District Old Town Reconstruction Office and the Longhua New District Management Bureau for the Re-development. Several more approvals are yet to obtain.
- (6) On 25th October, 2013, a supplemental agreement was entered into between the parties to extend the completion dates of various tasks associated with the Agreements for another 12 months. Shareholders may refer to the Company's announcement dated 25th October, 2013 for further details.

The Project is currently under review by the Shenzhen Urban Renewal Office. At the moment, the deposit of RMB 40 million was included in the current liabilities.

# Chairman's Statement and Management Discussions

## MATERIAL ACQUISITION(S) AND DISPOSAL(S) DURING THE YEAR

On 11th January, 2013, PAL Properties Investment Ltd, an indirectly wholly owned subsidiary of the Company, has entered into the Agreement with Mr. Nam Kwok Lun ("Mr. Nam") whereby Mr. Nam agrees to acquire the entire issued capital of Golden Rainbow Investments Ltd ("Golden Rainbow"), an indirectly wholly owned subsidiary of the Company, at a consideration of HK\$3,600,000 (the "Disposal Agreement").

Mr. Nam is the Deputy Chairman and a Director of the Company and is interested in 201,995,834 Shares, representing approximately 47.37% of the total issued Shares as at the date of the Disposal Agreement. The transactions contemplated under the Disposal Agreement constitute a discloseable but connected transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Golden Rainbow is an property investment company whose main assets are parcels of non-residential land registered in the Land Registry as Sub-sections 4 to 10 of Section C in Lot No. 18 and Sub-sections 1 to 6 & 8 of Section D in Lot No. 18 all in Demarcation District No. 178, Shatin, New Territories with a total area of approximately 11,778 square feet (the "Properties"). Pursuant to the Disposal Agreement, the consideration is HK\$3,600,000 which was determined after arms' length negotiations between PAL Properties Investment Ltd and Mr. Nam and is based on (i) the unaudited net asset value of Golden Rainbow of approximately HK\$223,000 as at 31st December, 2012, (ii) consolidated unaudited net book value of the Properties of approximately HK\$2,394,000 as at 31st December, 2012, (iii) valuation of the Properties of approximately HK\$2,400,000 as at 3rd January, 2013 conducted by an independent professional valuer, C S Surveyors Limited and (iv) the time value of the original investment cost. Full consideration was paid by Mr. Nam to the Company on completion.

Upon completion of the aforementioned transaction, the Group record a gain of approximately HK\$1,206,000 which was recognized as a deemed contribution by a shareholder.

## BUSINESS STRATEGIES

Asia Tele-Net and Technology Corporation Limited, as our name tells, we are based in Asia to provide advanced technologies to our customers worldwide. We are an investment holding company holding investments in various disciplines with particular strength in electroplating technologies. It is our mission to apply electroplating technologies in different applications or business segments so that the Company would grow segment by segment. This strategy would also help us to smooth out any cyclical effect in one particular segment and hence a more stable turnover and profitability level for the benefits of shareholders.

# Chairman's Statement and Management Discussions

## FINANCIAL REVIEW

### Capital Structure, Liquidity and Financial Resources

As at 31st December, 2013, the Group had equity attributable to owners of the Company of approximately HK\$280,565,000 (2012: approximately HK\$265,065,000). The gearing ratio was 0.2% (2012: nil). The gearing ratio is calculated by dividing the aggregate amount of bank borrowings and other interest-bearing loans over the amount of equity attributable to the equity holders of the Company.

As at 31st December, 2013, the Group had approximately HK\$240,653,000 of cash on hand (2012: approximately HK\$160,698,000).

As at 31st December, 2013, the Group pledged deposits of approximately HK\$19,002,000 (2012: HK\$1,000,000) to banks to secure banking facilities of approximately HK\$92,210,000 (2012: approximately HK\$75,290,000) to the Company. Out of the secured facilities available, the Group has utilized (i) approximately HK\$18,002,000 for the issuance of bank's guarantees under which customers retain rights to claim refund of purchase deposits received by the Group; (ii) approximately HK\$543,000 for negotiation of export bills and (iii) approximately HK\$6,912,000 for the issuance of import bills as at 31st December, 2013. As at 31st December, 2013, the total bank borrowings was approximately HK\$543,000 (2012: nil) in relation to discounted export bills negotiated during the relevant period.

Most of the bank borrowing is charged at inter-bank offer rate plus a spread in the countries where the Company's subsidiaries are operating in.

Most of the assets and liabilities in the Group were mainly denominated in US dollars, HK dollars, Renminbi and Euro. However, in view of the anticipated currency depreciation in Renminbi, there will be certain risk associated with the bank balances and assets denominated in Renminbi. However, the Group will be benefited from the drop of material cost and overhead cost for the factories in China.

### Contingent Liabilities

As at 31st December, 2013, the Company had guarantees of approximately HK\$83,920,000 (2012: approximately HK\$77,208,000) to banks in respect of banking facilities of approximately HK\$92,210,000 granted to subsidiaries of the Company. The amount utilized by the subsidiaries was approximately HK\$25,457,000 (2012: nil).

### Employee and Remuneration Policies

As at 31st December, 2013, the Group employs a total of 660 employees. Employees are remunerated based on performance, experience and industry practice. Performance related bonuses are granted on discretionary basis. Other employee benefits included fund, insurance and medical cover.

# Chairman's Statement and Management Discussions

## FINAL DIVIDEND

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

## APPRECIATION

On behalf of the Board, I would like to thank all of our customers, shareholders, business associates and bankers for their trust and support to the Group. To all of our employees, I appreciate your hard work, dedication and commitment over the year.

By Order of the Board

**Lam Kwok Hing**

*Chairman and Managing Director*

Hong Kong, 26th March, 2014

# Directors & Senior Management Profile

## EXECUTIVE DIRECTORS

**Mr. Lam Kwok Hing, MH**, aged 50, is the Chairman and Managing Director of Asia Tele-Net and Technology Corporation Limited (“ATNT”) and joined the Group in 1995. Mr. Lam is the younger brother of Mr. Nam Kwok Lun, the Deputy Chairman and Executive Director of the Company.

Mr. Lam has over 30 years’ experience in securities trading, corporate management and energy exploration businesses. He set up Karl Thomson Group in 1989, the latter acquired two security trading licenses and a commodity future trading license. Karl Thomson Group was a registered dealer of the Stock Exchange of Hong Kong (the “Exchange”) and Hong Kong Futures Exchange Limited respectively. In 2000, Karl Thomson Group was listed in the Exchange and was named Karl Thomson Holdings Limited (Hong Kong listed code 0007, which was subsequently renamed as Hoifu Energy Group Limited (“Hoifu”). Mr. Lam was the Chairman of the former group from 2000 to 2012. He is currently an executive director of Hoifu. In addition, Mr. Lam was the Chairman of Intech Machines Company Limited (a company which was previously listed under Taiwan Stock Exchange Corporation with listed code of 5492) from 2001 to 2008.

Mr. Lam was awarded the Medal of Honor by HKSAR in 2009 and is appointed as a member of the Shaanxi Committee of the Chinese People’s Political Consultative Conference of the People’s Republic of China in 2013.

As far as community affairs are concerned, Mr. Lam hosts a number of posts in various charitable organizations and schools. He is a permanent advisor to the Board of Pok Oi Hospital and Deputy Chairman of Scout Association of Hong Kong for New Territories East. He was the chairman of the board of Pok Oi Hospital for the year 2008/2009, the Chairman of the Corporate Governance Committee of Pok Oi Hospital for the year 2008/2009, the Deputy Chairman of the board of Pok Oi Hospital from 2004 to 2008, a member of Tai Po Fight Crime Committee from 2005 to 2007, chief school managers of various primary and secondary schools in Hong Kong.

**Mr. Nam Kwok Lun**, aged 55, is the Deputy Chairman of ATNT. He joined the Group in 2005. He is responsible for overall strategic planning, day to day operations, execution and further development. Mr. Nam is the elder brother of Mr. Kwok Hing Lam.

Mr. Nam is also the Executive Director of Hoifu and is in charge of the stockbroking, futures and options broking and securities margin financing businesses. Mr. Nam has extensive experience in the securities trading, fund management and financial advisory services. He is a member of the Hong Kong Securities Institute, a honorary president of Hong Kong Immigration Assistant Union and a honorary consultant of Hong Kong Securities and Futures Professionals Association.

# Directors & Senior Management Profile

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Kwan Wang Wai Alan**, aged 51, joined the Group in 1996 as Non-executive Director of ATNT. He was redesignated as Independent Non-executive Director of ATNT in April 2005. He holds a Bachelor degree in Engineering Science and a Master of Arts degree from the University of Oxford and has over 23 years of experience in the consumer electronics field. Mr. Kwan is also an Independent Non-executive Director of Hoifu.

**Mr. Ng Chi Kin David**, aged 52, is an Independent Non-executive Director of ATNT and joined the Group in 1995. He is a professional accountant, fellow member of the Hong Kong Institute of Certified Public Accountants and member of CPA Australia, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Ng is also an Independent Non-executive Director of Hoifu.

**Mr. Cheung Kin Wai**, aged 58, is an Independent Non-executive Director of ATNT and joined the Group in 1998. He holds a Bachelor of Social Science degree from the Chinese University of Hong Kong and a MBA degree from the University of California, Riverside. Mr. Cheung has worked for over 25 years with various international banking and brokerage firms. He has extensive securities and financial investment experience.

## SENIOR MANAGEMENT

**Ms. Yung Wai Ching, Ada**, aged 48, is the Deputy General Manager of ATNT and joined the Group in 1998. She is responsible for the day to day operations, financial management, taxation planning, IT and human resources management for ATNT Group. She holds a Bachelor degree in Accountancy from the City University of Hong Kong and is a member of Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants and Hong Kong Institution of Chartered Secretaries. Before joining ATNT Group, she had extensive experience in various industries including telecommunication, trading, manufacturing and system integration.

**Mr. Wong Kwok Wai, Ronnie**, aged 49, is the Managing Director of Process Automation International Ltd ("PAL") and has worked for the Group since 1985. He is responsible for the day to day operations, strategic planning and business development of our electroplating equipment business. He holds a degree in Chemical Technology from Hong Kong Polytechnic University and has extensive experience in marketing and business development. He is the major contributor in building a strong presence for PAL in Asia, Taiwan in particular.

**Mr. Wong Chi Wing**, aged 56, is the Director of PAL and joined the Group since 1980. He is responsible for engineering design and product improvements for PAL. He holds a degree in Mechanical Engineering from National Taiwan University.

**Mr. Chan Chi Wai**, aged 57, is the Director of PAL and joined the Group in 1981. He is responsible for manufacturing arm in China for PAL. He has extensive experience in the electroplating industry.

**Mr. Lau Kam Chan, Kelvin**, aged 47, is the Director of PAL and has joined the Group since 1990. He graduated from the Glasgow University (Scotland) with a Bachelor degree in Electronics and Electrical Engineering. He has extensive experience in marketing and is the major contributor in building a strong presence for PAL in China.

**Mr. Geoffrey F. Paterson**, aged 66, is the non-executive Director of PAL and joined the Group in 1987. He holds a degree in Chemistry from the University of Aberdeen. Prior to joining the Group, he had extensive experience in the Printed Circuit Board manufacturing. He is the major contributor in building a strong presence for PAL in US, Europe and India.

## Directors & Senior Management Profile

### COMPANY SECRETARY

**Ms. Lui Choi Yiu Angela**, aged 39, is the Company Secretary of the Group and joined the Group in 2009. She graduated with a Bachelor of Science degree in Accounting from Azusa Pacific University in California, USA and a Postgraduate Diploma in Corporate Administration from Hong Kong Polytechnic University. She is currently a member of the American Institute of Certified Public Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

# Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2013.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 36 and 17 respectively to the consolidated financial statements.

## RESULTS AND APPORTIONS

The results of the Group for the year ended 31st December, 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 37 to 38.

The Directors do not recommend the payment of a dividend.

## SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 49% of the Group's turnover, with the largest customer accounted for approximately 21%. The aggregate purchases attributable to the Group's five largest suppliers were less than 22% of the Group's purchases.

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

## RESERVES

Under The Companies Act 1981 of Bermuda, the Company's contributed surplus account is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

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

In the opinion of the Directors, the Company's reserves available for distribution to its shareholders as at 31st December, 2013 are approximately HK\$188,878,000, being the contributed surplus of approximately HK\$78,447,000 and retained profits of approximately HK\$110,431,000.



# Directors' Report

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

## DIRECTORS

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

### Executive Directors:

Mr. Lam Kwok Hing (*Chairman and Managing Director*)  
Mr. Nam Kwok Lun (*Deputy Chairman*)

### Independent Non-executive Directors:

Mr. Ng Chi Kin David  
Mr. Cheung Kin Wai  
Mr. Kwan Wang Wai Alan

In accordance with Clause 87(2) of the Company's Bye-laws, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting. Therefore, Mr. Kwan Wang Wai Alan, should retire and re-election at the forthcoming annual general meeting.

Each of the Independent Non-executive Directors has signed a letter of appointment for a term of three years until terminated by not less than three months' notice in writing served by the Independent Non-executive Director on the Company or in accordance with the terms set out in the respective letters of appointment. Each of the Independent Non-executive Directors is entitled to a director's fee.

The Director being proposed for re-election at the forthcoming annual general meeting does not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors had a service contract with the Company. These service contracts continued unless and until terminated by either the Company or the Directors giving to the other party 6 months' notice in writing.

# Directors' Report

## DIRECTORS' REMUNERATION

The remuneration committee of the Board considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate. Details of the Directors' remuneration are set out in note 13 to the financial statements.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

At 31st December, 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

### Long position

Ordinary shares of HK\$0.01 each of the Company

Name of director	Number of issued ordinary shares held		Total	Percentage of the issued share capital of the Company
	Personal interest	Corporate interest		
Mr. Lam Kwok Hing	3,474,667	250,516,500 (Note)	253,991,167	59.56%

Note: The amount composed of 48,520,666 and 201,995,834 shares of the Company that were held by Medusa Group Limited ("Medusa") and Karfun respectively. Medusa is a company wholly owned by Mr. Lam Kwok Hing. Karfun is substantially owned by J&A Investment Limited, a company in which Mr. Lam Kwok Hing is a controlling shareholder.

Save as disclosed above, except for nominee shares in certain subsidiaries held in trust for the Company by certain Directors, none of the Directors, the chief executive or their associates had any interests or short positions in any shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31st December, 2013.

# Directors' Report

## CONNECTED TRANSACTION

On 11th January, 2013, PAL Properties Investment Ltd, an indirectly wholly owned subsidiary of the Company, has entered into the Agreement with Mr. Nam Kwok Lun ("Mr. Nam") whereby Mr. Nam agrees to acquire the entire issued capital of Golden Rainbow Investments Ltd ("Golden Rainbow"), an indirectly wholly owned subsidiary of the Company, at a consideration of HK\$3,600,000 (the "Disposal Agreement").

Mr. Nam is the Deputy Chairman and a Director of the Company and is interested in 201,995,834 Shares, representing approximately 47.37% of the total issued Shares as at the date of the Disposal Agreement. The transactions contemplated under the Disposal Agreement constitute a discloseable but connected transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Golden Rainbow is a property investment company whose main assets are parcels of non-residential land registered in the Land Registry as Sub-sections 4 to 10 of Section C in Lot No. 18 and Sub-sections 1 to 6 & 8 of Section D in Lot No. 18 all in Demarcation District No. 178, Shatin, New Territories with a total area of approximately 11,778 square feet (the "Properties"). Pursuant to the Disposal Agreement, the consideration is HK\$3,600,000 which was determined after arms' length negotiations between PAL Properties Investment Ltd and Mr. Nam and is based on (i) the unaudited net asset value of Golden Rainbow of approximately HK\$223,000 as at 31st December, 2012, (ii) consolidated unaudited net book value of the Properties of approximately HK\$2,394,000 as at 31st December, 2012, (iii) valuation of the Properties of approximately HK\$2,400,000 as at 3rd January, 2013 conducted by an independent professional valuer, C S Surveyors Limited and (iv) the time value of the original investment cost. Full consideration was paid by Mr. Nam to the Company on completion.

Upon completion of the aforementioned transaction, the Group record a gain of approximately HK\$1,206,000 which was recognized as a deemed contribution by a shareholder.

During the year, the Group has paid approximately HK\$24,000 as brokerage commission to Karl-Thomson Securities Company Limited, which is a wholly owned subsidiary of Hoifu in which Mr. Lam Kwok Hing and Mr. Nam Kwok Lun are the executive directors and Mr. Lam Kwok Hing is a substantial shareholder.

## DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the heading "connected transactions" above, there was no other transaction which need to be disclosed as a connected transaction in accordance with the requirements of the Listing Rules and no contract of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate holding company 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 BUSINESS

As at 31st December, 2013, none of the Directors or their respective associates had any business or interests in business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

# Directors' Report

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors of the Company or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31st December, 2013, the following persons (other than the Directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the ordinary shares of HK\$0.01 each of the Company

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of Company's issued share capital</b>
Karfun	Interest of controlled corporation	201,995,834	47.37%
Medusa	Interest of controlled corporation	48,520,666	11.38%

Please refer to the note under the section heading "Directors' and Chief Executive's Interests and short Positions in Shares and Underlying shares of the Company and its Associated Corporation" above.

Save as disclosed above, as at 31st December, 2013, no person (other than the Directors of the Company whose interests are set out under the heading "Directors' and Chief Executive's Interests and short Positions in Shares and Underlying shares of the Company and its Associated Corporation" above) had an interest or a short position in the shares and underlying shares of the Company that was required to be recorded under Section 336 of SFO.

## SHARE OPTIONS

A summary of the Share Option Scheme (the "Scheme") which came into effect from 13th June, 2005, disclosed in accordance with the Listing Rules is as follows:

### (1) Purpose of the Scheme

The purpose of the Scheme is to enable the Company to grant option to the eligible participants as incentives and rewards for their contributions to the Company or such subsidiaries.

# Directors' Report

## (2) Participants of the Scheme

The Board may, at its discretion, to grant options to any employees (whether full time or part time), executives or officers of the Company or any of the subsidiaries (including executive and non-executive Directors) and any business consultants, agents, financial or legal advisers who will contribute or have contributed to the Company or any of the subsidiaries.

## (3) Total number of shares available for issue under the Scheme and % of issued share capital at 31st December, 2013

The number of shares available for issue under the Scheme was 42,646,340 shares representing 10% of the issued share capital at 31st December, 2013.

## (4) Maximum entitlement of each participant under the Scheme

The maximum number of shares issuable under the Scheme to each participant in any 12-month period up to the date of grant shall not exceed 1% of the shares unless it is approved by shareholders in a general meeting of the Company. Any share options granted a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK\$5 million, in any 12-month period, are subject to shareholders' approval in general meeting of the Company.

## (5) The period within which the shares must be taken up under an option

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 more than 10 years after it has been granted.

## (6) The minimum period for which an option must be held before it can be exercised

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose as its discretion any such minimum period at the time of grant of any particular option.

## (7) The amount payable upon acceptance of option

HK\$1.00 is payable by each eligible participant to the Company on acceptance of the option on or before the 30th day after the option is offered.

# Directors' Report

## (8) The basis of determining the exercise price

The exercise price must be at least the higher of:

- (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant which must be a business day;
- (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a share.

## (9) The remaining life of the Scheme

The Scheme will expire at the close of business of 12th June, 2015.

## RETIREMENT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, each of the employer and employee are required to make contributions of 5% of the employees' relevant income to the scheme, subject to a cap of monthly relevant income of HK\$25,000. Contributions made to the scheme are vested immediately.

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

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

## PRE-EMPTIVE RIGHTS

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

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices of the Company is set out in the "Corporate Governance Report" on pages 23 to 34.

# Directors' Report

## SUFFICIENCY OF PUBLIC FLOAT

At the latest practicable date prior to the issue of this report, based on the information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public floats as required under the Listing Rules throughout the year ended 31st December, 2013.

## AUDITOR

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

On behalf of the Board

**Lam Kwok Hing**

*Chairman and Managing Director*

Hong Kong, 26th March, 2014

# Corporate Governance Report

The Company recognizes that good corporate governance is vital to the success of the Group and sustains development of the Group. The Company is committed to maintaining good corporate governance standard and practices with an emphasis on integrity, transparency and independence. The board of directors (the "Board") believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value.

## CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

During the financial year of 2013, the Company has complied with most of the CG Code, save for the following:

1. Under code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. The Chairman of the Board of the Company is not subject to retirement by rotation pursuant to Bye-law 87(1) of the Company's Bye-laws; and
2. Under code provision A.2.1, the role of the Chairman and the chief executive should be separated and should not be performed by the same individual. The Company does not at present have any officer with the title of "Chief Executive Officer" ("CEO") but instead the duties of a CEO are performed by the Managing Director ("MD"). The positions of both Chairman and MD are currently held by Mr. Lam Kwok Hing. The Board believes that vesting the roles of both Chairman and MD in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. In addition, through the supervision of the Board which comprised of three independent non-executive directors, representing more than half of the Board, the interests of the shareholders are adequately and fairly represented.
3. Under code provision A.6.7, the Independent Non-executive Directors should attend the general meetings of the Company. However, due to other business commitment, one of the Executive Director and the Independent Non-executive Directors did not attend the annual general meeting of the Company held on 31 May 2013. At the annual general meeting of the Company, there was chairman present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the CG Code during the year of 2013. The key corporate governance principles and practices of the Company are summarised in this report.

## DIRECTORS' SECURITIES TRANSACTIONS

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

To the specific enquiry by the Company, all Directors have confirmed that they had complied with the Model Code throughout the year ended 31st December, 2013.



# Corporate Governance Report

## THE BOARD

### Responsibilities

The Board comprises of two Executive Directors, being Mr. Lam Kwok Hing (Chairman and Managing Director) and Mr. Nam Kwok Lun (Deputy Chairman); three Independent Non-executive Directors, being Mr. Cheung Kin Wai, Mr. Kwan Wang Wai Alan and Mr. Ng Chi Kin David. Biographical details, which include relationships among members of the Board, are provided in the “Directors and Senior Management Profile” section of the Annual Report. The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The Executive Directors and Independent Non-executive Directors bring a variety of experience and expertise to the Company.

There is a clear division of responsibilities between the Board and the management. The Board is responsible for providing high-level guidance and effective oversight of management while day-to-day management of the Group is delegated to the management team of each respective subsidiary. Generally speaking the Board is responsible for:

- Formulating the Group’s long term strategy and monitoring the implementation thereof
- Approval of interim and year end dividend
- Reviewing and approving the annual and interim reports
- Ensuring good corporate governance and compliance
- Monitoring the performance of the management
- Reviewing and approving any material acquisition and assets disposal
- Developing and reviewing the Group’s policies and practices on corporate governance

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group’s businesses to the Executive Directors, senior management and certain specific responsibilities to the Board committees. The Board is committed to making decisions in the best interests of both the Company and its shareholders.

The Board acknowledges its responsibility for preparing the financial statements of the Company and the Group which give a true and fair view of the Group’s affairs in accordance with statutory requirements and applicable accounting standards. The statement by the auditor of the Company about its reporting responsibilities for the financial statements of the Company is set out on pages 35 to 36 in the Independent Auditor’s Report.

All Directors have full and timely access to all relevant information as well as the advice and service of the Company Secretary to ensure Board procedures and all applicable rules and regulations are followed.

# Corporate Governance Report

## Composition

The Board has in its composition a balance of skills and experience necessary for independent decision making and fulfilling its business needs.

As at 31st December, 2013, the Board comprised five members, including two Executive Directors and three Independent Non-executive Directors, as follows:

### **Executive Directors**

Mr. Lam Kwok Hing (*Chairman and Managing Director*)

Mr. Nam Kwok Lun

### **Independent Non-executive Directors**

Mr. Cheung Kin Wai

Mr. Kwan Wang Wai Alan

Mr. Ng Chi Kin David

Biographical details of the Directors are set out on page 12 to 13.

During the year ended 31st December, 2013, the Board complied with the Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors and one of the independent non-executive directors has appropriate professional qualifications or accounting or related finance management expertise. All three Independent Non-Executive Directors are appointed for a specific term of three years. They are subject to retirement by rotation and re-election provisions of the Bye-laws.

The Company has received written annual confirmation from each Independent Non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The Bye-laws of the Company requires that one-third (if the number is not a multiple of three, the number nearest to but not less than one-third) of the Directors (including executive and non-executive directors) shall retire by rotation each year. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election and those of the other Directors who have been longest in office since their election or re-election. A retiring Director is eligible for re-election. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting and be eligible for re-election. Any Director appointed pursuant to the aforesaid Bye-law shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

# Corporate Governance Report

## Board Meetings and General Meeting

During the year ended 31st December, 2013, four Board meetings and the annual general meeting for the year 2013 ("AGM 2013") were held with details of the Directors' attendance set out below:

Directors	Attendance/Number of Meetings	
	Board Meetings	AGM 2013
<i>Executive Directors</i>		
Mr. Lam Kwok Hing ( <i>Chairman and Managing Director</i> )	3/4	1/1
Mr. Nam Kwok Lun	4/4	0/1
<i>Independent Non-executive Directors</i>		
Mr. Cheung Kin Wai	4/4	0/1
Mr. Kwan Wang Wai Alan	4/4	0/1
Mr. Ng Chi Kin David	4/4	0/1

## Board Practices and Conduct of Meetings

The Board meets regularly, at least four times, throughout the year to formulate overall strategy of the Group, monitor its financial performance and maintain effective oversight over the management. Directors may participate either in person or through electronic means of communication. Notice of regular board meetings is sent to all directors at least 14 days prior to the meeting. For other board and committee meetings, reasonable notice is generally given.

Draft agenda of each board meeting is usually sent to all directors together with the notice of meeting in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting. Board papers together with all appropriate, complete and reliable information are sent to directors at least 3 days before each board meeting to keep the directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chairman and other relevant senior management normally attend regular board and committee meetings, and where necessary, other board and committee meetings to advise business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group. Draft minutes are normally circulated to directors for comment in due course after each meeting and the final copy, which is kept by the company secretary, is open for directors' inspection.

Any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened board meeting. Except for those circumstances permitted by the Bye-laws, a director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration abstains from voting on the relevant resolution and such director is not counted for quorum determination purposes.

# Corporate Governance Report

## Directors' Training

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Company's constitutional documents and the Guides on Directors' Duties issued by the Companies Registry to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, as well as organizes seminars on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities.

During the year of 2013, all directors of the Company have attended the seminar arranged by the Company conducted covering the topics of latest Securities and Futures Ordinance on insider information disclosure requirements. They also read newspaper and relevant materials on the topics related to roles and responsibilities of directors and corporate governance and regulations.

## DELEGATION BY THE BOARD

The Directors are aware of their collective and individual responsibilities to the shareholders for the wellbeing and success of the Company.

To enhance the effectiveness of the management of the Company, the Board has established three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee to oversee corresponding aspects of the Company's affairs. All Board committees of the Company have defined written terms of reference.

# Corporate Governance Report

## BOARD COMMITTEES

### Audit Committee

The Audit Committee was established in 1999 and comprises three Board members, all of whom are Independent Non-executive Directors. The Audit Committee has adopted the same term of reference, which describes the authority and duties of the Committee, as quoted under code provision C.3.3 of the CG Code. The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 1999 and revised on March 2012 to conform to the provisions of the Code, a copy of which is posted on the Company's website and the Stock Exchange.

The Audit Committee is primarily responsible for the following duties:

- to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the audit fees and the terms of engagement of the external auditor, and any questions of their resignation or dismissal.
- monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences.
- to monitor integrity of the Company's financial statements, annual report, accounts and the half-year report, and to review significant financial reporting judgments contained in them.
- to oversee the Company's financial reporting system and internal control procedures.
- to review compliance with regulatory and legal requirements by the Company.

The Audit Committee will meet at least twice each year. In 2013, the Audit Committee met twice considering the annual results of the Group for the financial year ended 31st December, 2013 and the interim results of the Group for the 6 months ended 30th June, 2013, assessing any changes in accounting policies and practices, major judgmental areas and compliance with applicable legal and accounting requirements and standards, discussing with the auditor of the Company on internal control and the re-appointment of the external auditor. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

There were two meetings held during the Period Under Review, details of attendance are set out below:

<b>Audit Committee Members</b>	<b>Attendance/ Number of Meetings</b>
Mr. Cheung Kin Wai ( <i>Chairman of the Audit Committee</i> )	2/2
Mr. Kwan Wang Wai Alan	2/2
Mr. Ng Chi Kin David	2/2

# Corporate Governance Report

## Nomination Committee

The Nomination Committee of the Company (the "Nomination Committee") is established on 27th March, 2012 and is composed of two independent non-executive directors and one executive director, namely Mr. Lam Kwok Hing (Chairman of the Nomination Committee), Mr. Cheung Kin Wai and Mr. Ng Chi Kin David.

In order to comply with the Revised CG Code, the Board adopted terms of reference of the Nomination Committee on 27th March, 2012 and the terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify and nominate qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise, and to make recommendations to the Board on matters relating to the appointment or re-appointment of directors and succession plan for directors, in particular the Chairman and the Chief Executive Officer.

The Nomination Committee shall meet at least once per year according to its terms of reference. A Nomination Committee meeting was held during the Period Under Review, details of attendance are set out below:

<b>Nomination Committee</b>	<b>Members Attendance/ Number of Meeting</b>
Mr. Cheung Kin Wai ( <i>Chairman of the Nomination Committee</i> )	1/1
Mr. Lam Kwok Hing	1/1
Mr. Ng Chi Kin David	1/1

During the Period Under Review, the Nomination Committee had reviewed the structure, size and composition of the Board of Directors of the Company and the retirement and re-appointment arrangement of the Directors in the Company's forthcoming annual general meeting.

## Remuneration Committee

The Company established the Remuneration Committee in February 2005 with terms of reference substantially the same as those contained in paragraph B.1.3 of the CG Code. The written terms of reference which describe the authority and duties of the Remuneration Committee were adopted in 2005 and revised on March 2012 to conform to the provisions of the Code, a copy of which is posted on the Company's website and the Stock Exchange. A majority of the members of the Remuneration Committee is Independent Non-executive Directors and members of the Committee are listed as below.

In determining the emolument payable to directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and the desirability of performance-based remuneration.

# Corporate Governance Report

The Remuneration Committee is primarily responsible for the following duties:

- to determine the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts;
- to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to place recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors from time to time;
- to review and approve the senior management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time;
- to performs an advisory role to the Board and to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, with the Board retaining the final authority to approve executive directors' and senior management's remuneration;
- to make recommendations to the Board on the remuneration on non-executive directors
- to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive; and
- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate

The overriding objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company.

The Remuneration Committee will meet at least once each year. During the Period Under Review, one meeting was held to consider and approve the remuneration of all Directors and senior management. A Remuneration Committee meeting was held during the Period Under Review, details of attendance are set out below:

<b>Remuneration Committee Members</b>	<b>Attendance/ Number of Meeting</b>
Mr. Ng Chi Kin David ( <i>Chairman of the Remuneration Committee</i> )	1/1
Mr. Kwan Wang Wai Alan	1/1
Mr. Nam Kwok Lun	1/1

During the Period Under Review, the Remuneration Committee reviewed the existing remuneration policies of the Company.

# Corporate Governance Report

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

- (i) To develop and review the Group's policies and practices on corporate governance and make recommendations;
- (ii) To review and monitor the training and continuous professional development of directors and senior management;
- (iii) To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- (iv) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors of the Group; and
- (v) To review the Group's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

During the Period Under Review, the Board approved the terms of reference of the Board and the revised terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee, the shareholder communication policy, shareholder enquiry procedures and special request procedures.

## AUDITOR'S REMUNERATION

During the year, the auditor of the Company, Messrs. Deloitte Touche Tohmatsu received HK\$950,000 for statutory audit services. Payments made by the Company for non-audit services to the auditor was made during the year were:

- HK\$150,000 for review of the unaudited financial statements for the six months ended 30th June, 2013; and
- HK\$6,000 for audit of provident scheme fund.

## COMPANY SECRETARY

Ms. Lui Choi Yiu Angela, the secretary of the Company whose biography details are set out in the section headed "Directors and Senior Management Profile" in this annual report, confirmed that she had attained no less than 15 hours of relevant professional training during the year ended 31st December, 2013.



# Corporate Governance Report

## LIABILITY INSURANCE OF DIRECTORS AND SENIOR MANAGEMENT

The Company has appropriate “Directors and Officers Liability Insurance” in place for its Directors and senior management, in order to safeguard them from any legal and compensation liabilities arising in the course of discharging their duties.

## DIRECTOR’S RESPONSIBILITIES FOR THE FINANCIAL STATEMENT

The Board acknowledges that it is their responsibilities for:

- (i) overseeing the preparation of the financial statements of the Group with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group, and
- (ii) selecting suitable accounting policies and applying the selected accounting policies consistently with the support of reasonable and prudent judgement and estimates.

A statement by the auditor about his reporting responsibilities is set out on pages 35 to 36 of this Annual Report.

## INTERNAL CONTROLS

The Board and senior management are responsible for establishing, maintaining and operating an effective system of internal control. The internal control system of the Group comprises a well-established organisational structure and comprehensive policies and standards. The Board has clearly defined the authorities and key responsibilities of each business and department to ensure adequate checks and balances.

The internal control system has been designed to safeguard the Group’s assets against loss and misappropriation; to maintain proper accounting records for producing reliable financial information; to provide reasonable, but not absolute, assurance against material fraud and errors. Policies and procedures are established to ensure compliance with applicable laws, regulations and industry standards and as the on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the system of internal controls when there are changes to business environment or regulatory guidelines.

Systems and procedures are also established to identify, measure, manage and control different risks arising from different businesses and functional activities. Risk management policies and major control limits are established and approved by the Board. Significant issues in the management letters from external auditors and reports from regulatory authorities will be brought to the attention of the Audit Committee to ensure that prompt remedial action is taken. All recommendations will be properly followed up to ensure they are implemented within a reasonable period of time.

The Board is of the view that the system of internal controls in place for the Period Under Review and up to the date of issuance of the annual report and consolidated financial statements is sound and is sufficient to safeguard the interests of shareholders, customers and employees, and the Group’s assets.

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

### Convening a Special General Meeting by Shareholders

Pursuant to the Bye-law 58, a special general meeting may be convened by the Board upon requisition by any shareholder holding not less than one-tenth of the issued share capital of the Company and the securities being held carrying the right of voting at any general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the registered office address of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two (2) months after the receipt of such written requisition. Pursuant to the Bye-law 59, the Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business.

If within twenty-one (21) days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the shareholder shall do so pursuant to the provisions of Section 74(3) of the Companies Act of Bermuda.

### Putting Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the registered office address of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

### Making Enquiry to the Board

Shareholders should direct their questions about their shareholdings to the Company's Registrar, Tricor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders may send written enquiries, either by post, by facsimiles or by email, together with his/her contact details, such as postal address, email or fax, addressing to the head office of the Company at the following address or facsimile number or via email:

By email to:	info@atnt.biz
By letter to the Company's registered address:	11 Dai Hei Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong
By fax to:	(852) 2664 0717

# Corporate Governance Report

All enquiries shall be collected by the Company Secretary who shall report to the Executive Directors periodically on the enquiries collected. The Executive Directors shall review the enquiries and assign different kinds of enquiries to appropriate division head/manager for answering. After receiving the answers of all enquiries from the relevant division head/manager, the Company Secretary will collect the answers for the Executive Directors' review and approval. The Company Secretary shall then be authorized by the Executive Directors to reply all enquiries in writing.

## INVESTOR RELATIONS

The Company recognises its responsibility to explain its activities to those with a legitimate interest and to respond to their questions. In addition, questions received from the general public and individual shareholders are answered promptly. In all cases great care is taken to ensure that no price-sensitive information is disclosed selectively.

## SHAREHOLDERS COMMUNICATION POLICY

The Board is responsible for ensuring shareholder communications are adequate and appropriate and based on transparency and sound corporate governance principles. The Company adopted a Shareholders Communication Policy on 1st March, 2012 which aims to present a clear, balanced and comprehensive assessment of our financial position and operational status by providing shareholders and other stakeholders with information in a timely and transparent manner. The Company will communicate to shareholders through written information and electronic communication as follows:

- Annual and interim reports
- Disclosures made to the Hong Kong Stock Exchange
- Notice and circular of general meetings
- Annual general meeting, where the external auditor is available to answer questions about the audit
- Corporate website: [www.atnt.biz](http://www.atnt.biz)
- Direct enquiry sent to the Company

# Independent Auditor's Report



**TO THE MEMBERS OF  
ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED**  
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Asia Tele-Net And Technology Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 101, which comprise the consolidated statement of financial position as at 31st December, 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

# Independent Auditor's Report

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

26th March, 2014

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2013

	NOTES	2013 HK\$'000	2012 HK\$'000
Revenue	7	470,839	382,774
Cost of sales		(339,550)	(278,867)
Gross profit		131,289	103,907
Other gains and losses	8	(3,261)	(8,561)
Bad debts recovered		1,873	343
Other income		4,180	4,350
Selling and distribution costs		(21,971)	(15,470)
Administrative expenses		(92,903)	(100,660)
Allowance for bad and doubtful debts		(8,895)	(4,195)
Finance costs	9	(41)	(413)
Share of results of associates		1,429	747
Profit (loss) before taxation		11,700	(19,952)
Taxation	10	(2,917)	(1,229)
Profit (loss) for the year	11	8,783	(21,181)
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations			
– subsidiaries		5,794	4,357
– associate		(124)	116
Reclassification of currency transaction reserve upon dissolution of a subsidiary		–	370
Other comprehensive income for the year		5,670	4,843
Total comprehensive income (expense) for the year		14,453	(16,338)

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2013

	NOTE	2013 HK\$'000	2012 HK\$'000
Profit (loss) for the year attributable to:			
Owners of the Company		8,607	(21,570)
Non-controlling interests		176	389
		<b>8,783</b>	<b>(21,181)</b>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		14,294	(16,744)
Non-controlling interests		159	406
		<b>14,453</b>	<b>(16,338)</b>
Earnings (loss) per share	13		
Basic		<b>HK2.02 cents</b>	HK(5.06) cents

# Consolidated Statement of Financial Position

At 31st December, 2013

	NOTES	2013 HK\$'000	2012 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	81,064	89,841
Prepaid lease payments	16	8,237	8,360
Interests in associates	17	3,790	2,485
Loans receivable	18	706	4,552
		<b>93,797</b>	105,238
<b>Current assets</b>			
Inventories	19	41,053	39,572
Amounts due from customers for contract work	20	52,983	38,952
Loans receivable	18	3,042	2,760
Debtors, bills receivables and prepayments	21	104,644	109,350
Prepaid lease payments	16	311	304
Held-for-trading investments	22	17,347	15,107
Amounts due from associates	23	1,335	1,333
Taxation recoverable		6	1,081
Pledged bank deposits	24	19,002	1,000
Bank balances and cash	24	221,651	159,698
		<b>461,374</b>	369,157
<b>Current liabilities</b>			
Creditors, bills payables and accrued charges	25	192,296	129,820
Deposit received for re-development of the land	15	50,880	49,760
Warranty provision	26	16,307	10,753
Amounts due to customers for contract work	20	2,744	7,335
Amounts due to associates	23	26	26
Bank borrowings	27	543	-
Taxation payable		1,515	667
		<b>264,311</b>	198,361
<b>Net current assets</b>		<b>197,063</b>	170,796
<b>Total assets less current liabilities</b>		<b>290,860</b>	276,034



# Consolidated Statement of Financial Position

At 31st December, 2013

	NOTES	2013 HK\$'000	2012 HK\$'000
Capital and reserves			
Share capital	28	4,265	4,265
Reserves		276,300	260,800
Equity attributable to owners of the Company		280,565	265,065
Non-controlling interests		1,589	2,930
Total equity		282,154	267,995
Non-current liabilities			
Warranty provision	26	4,391	3,724
Deferred taxation	29	4,315	4,315
		8,706	8,039
		290,860	276,034

The consolidated financial statements on pages 37 to 101 were approved and authorised for issue by the Board of Directors on 26th March, 2014 and are signed on its behalf by.

**LAM KWOK HING**  
CHAIRMAN AND MANAGING DIRECTOR

**NAM KWOK LUN**  
DEPUTY CHAIRMAN

# Consolidated Statement of Changes in Equity

For the year ended 31st December, 2013

	Attributable to owners of the Company									Attributable to non-controlling interests	Total
	Share capital	Share premium	Property revaluation reserve	Legal reserve	Currency translation reserve	Contributed surplus	Capital contribution	Retained profits	Subtotal		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January, 2012	4,265	28,500	32,383	11,450	39,102	48,937	-	117,172	281,809	4,110	285,919
Loss for the year	-	-	-	-	-	-	-	(21,570)	(21,570)	389	(21,181)
Reclassification to profit or loss upon dissolution of a subsidiary (note 30)	-	-	-	-	370	-	-	-	370	-	370
Exchange difference arising on translation of foreign operations											
- subsidiaries	-	-	-	-	4,340	-	-	-	4,340	17	4,357
- associate	-	-	-	-	116	-	-	-	116	-	116
Total comprehensive income (expense) for the year	-	-	-	-	4,826	-	-	(21,570)	(16,744)	406	(16,338)
Transfer to retained profits upon dissolution of a subsidiary	-	-	-	(1,396)	-	-	-	1,396	-	-	-
Dissolution of a subsidiary (note 30)	-	-	-	-	-	-	-	-	-	(86)	(86)
Dividend paid by a subsidiary to its non-controlling interest	-	-	-	-	-	-	-	-	-	(1,500)	(1,500)
Balance at 31st December, 2012	4,265	28,500	32,383	10,054	43,928	48,937	-	96,998	265,065	2,930	267,995
Profit for the year	-	-	-	-	-	-	-	8,607	8,607	176	8,783
Exchange difference arising on translation of foreign operations											
- subsidiaries	-	-	-	-	5,811	-	-	-	5,811	(17)	5,794
- associate	-	-	-	-	(124)	-	-	-	(124)	-	(124)
Total comprehensive income for the year	-	-	-	-	5,687	-	-	8,607	14,294	159	14,453
Deemed contribution from a shareholder (note 31)	-	-	-	-	-	-	1,206	-	1,206	-	1,206
Dividend paid by a subsidiary to its non-controlling interest	-	-	-	-	-	-	-	-	-	(1,500)	(1,500)
Transfer	-	-	-	3,763	-	-	-	(3,763)	-	-	-
Balance at 31st December, 2013	4,265	28,500	32,383	13,817	49,615	48,937	1,206	101,842	280,565	1,589	282,154

## Notes:

- (a) In accordance with statutory requirements in the PRC (as defined in note 6 to the consolidated financial statements), certain subsidiaries registered in the PRC had transferred a certain percentage of their annual net income from retained profits to legal reserve. No such transfer was required for the years ended 31st December, 2012 as the relevant subsidiaries had no retained profits. The legal reserve is not distributable.
- (b) The contributed surplus arose as a result of the capital restructuring on 23rd April, 2004.

# Consolidated Statement of Cash Flows

For the year ended 31st December, 2013

	2013 HK\$'000	2012 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit (loss) before taxation	11,700	(19,952)
Adjustments for:		
Share of results of associates	(1,429)	(747)
Interest income, other than interest income from loans receivable	(2,945)	(1,948)
Finance costs	41	431
Dividend income	(115)	(118)
Depreciation	8,245	9,370
Release of prepaid lease payments	311	304
Allowance for slow moving inventories	437	2,057
Allowance for bad and doubtful debts	8,895	4,195
Bad debts recovered from an associate	(338)	–
Loss on disposal of property, plant and equipment	18	58
Net change in fair value of held-for-trading investments	(2,433)	6,314
Warranty provision	13,058	13,164
Net exchange loss	3,925	2,195
Gain on dissolution of a subsidiary	–	(227)
Loss on disposal of available-for-sale investments	–	19
Operating cash flows before movements in working capital	39,370	15,115
Decrease in held-for-trading investments	193	5,004
(Increase) decrease in inventories	(666)	13,928
(Increase) decrease in amounts due from customers for contract work	(13,597)	35,193
Decrease in loans receivable	3,564	731
Increase in debtors, bills receivables and prepayments	(4,094)	(33,794)
Increase (decrease) in creditors, bills payables and accrued charges	62,151	(12,353)
Utilisation of warranty provision	(6,837)	(12,301)
Decrease in amounts due to customers for contract work	(4,591)	(3,193)
Cash generated from operations	75,493	8,330
Overseas income tax paid	(2,084)	(1,870)
Hong Kong and overseas income tax refunded	1,098	55
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>74,507</b>	<b>6,515</b>

# Consolidated Statement of Cash Flows

For the year ended 31st December, 2013

	NOTE	2013 HK\$'000	2012 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Withdrawal of pledged bank deposits		13,062	50,635
Placement of pledged bank deposits		(31,064)	(42,420)
Proceeds on disposal of property, plant and equipment		33	155
Disposal of a subsidiary	31	3,600	–
Dividend received from investments		115	118
Interest received		2,945	1,948
Purchase of property, plant and equipment		(645)	(2,554)
Advance to an associate		(154)	(179)
Repayment from associates		490	–
Proceeds on disposal of available-for-sale investments		–	76
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>		<b>(11,618)</b>	<b>7,779</b>
<b>FINANCING ACTIVITIES</b>			
Net increase (decrease) in bank borrowings		543	(4,557)
Interest paid		(41)	(431)
Dividend paid by a subsidiary to its non-controlling interest		(1,500)	(1,500)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(998)</b>	<b>(6,488)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>61,891</b>	<b>7,806</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>159,698</b>	<b>151,573</b>
<b>EFFECT ON FOREIGN EXCHANGE RATE CHANGES</b>		<b>62</b>	<b>319</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>221,651</b>	<b>159,698</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Bank balances and cash		221,651	159,698

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 1. GENERAL

The Company is incorporated in Bermuda under The Companies Act 1981 of Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong Dollars ("HKD"), which is the same as the functional currency of the Company.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in electroplating equipment business. The details of principal activities of its principal subsidiaries are set out in note 36.

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### **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.

### **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.

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

The directors of the Company reviewed and assessed the Group’s investees in accordance with the requirements of HKFRS 10. The directors of the Company concluded that there was no impact to the Group’s consolidated financial statements for the adoption of HKFRS 10.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (Continued)

### HKFRS 13 Fair Value Measurement

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

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

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures of fair value information as set out in note 22, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

Amendments to HKFRS	Annual improvements to HKFRSs 2010-2012 Cycle <sup>4</sup>
Amendments to HKFRS	Annual improvements to HKFRSs 2011-2013 Cycle <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities <sup>1</sup>
HKFRS 9	Financial instruments <sup>3</sup>
Amendments to HKAS 19	Defined benefit plans: Employee contributions <sup>2</sup>
Amendments to HKAS 32	Offsetting financial assets and financial liabilities <sup>1</sup>
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets <sup>1</sup>
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting <sup>1</sup>
HK(IFRIC) – INT 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2014, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2014, with earlier application permitted.

<sup>3</sup> Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (Continued)

The directors of the Company anticipate that the application of these new and revised HKFRSSs will have no material impact on the Group’s financial performance and positions and/or on the disclosures set out in these consolidated statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

The principal accounting policies are set out below.



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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 where the Company:

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 3. 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**

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

### **Interests 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 events 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.

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.

Where 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue recognition

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

Revenue from the sale of goods is recognised when goods are delivered and title was 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 and 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.

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Service income is recognised when the services are rendered.

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 from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rates applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

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.

### Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to estimated total contract 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 the amount can be measured reliably and its receipt is considered probable.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Construction contracts** *(Continued)*

When the outcome of a construction 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 an expense 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 an amount 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. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under debtors, bills receivables and prepayments.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on weighted average cost method.

### **Property, plant and equipment**

Property, plant and equipment includes land (classified as finance leases) and buildings held for use on the production or supply of goods and services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, Plant and Equipment" from the requirement to make regular revaluations of the Group's buildings which had been revalued prior to 30th September, 1995. Prior to 30th September, 1995, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Depreciation is recognised so as to write off the cost or fair value of assets other than properties under construction 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.

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 lessee***

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

#### ***Leasehold land and building***

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies

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

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

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

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

### Taxation

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Taxation** *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases 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 and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

### **Retirement benefit costs**

Payments to defined contribution retirement benefits scheme/state-managed retirement benefits schemes/ the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Retirement benefit costs *(Continued)*

For defined benefit retirement benefit plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item "staff costs". Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

### Financial instruments

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### *Financial assets*

The Group's financial assets are classified into one of three categories, including held-for-trading investments, 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 financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

#### *Held-for-trading investments*

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of 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 a designated and effective as a hedging instrument.

Held-for-trading investments are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the year 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 "other gains and losses" line item. Fair value is determined in the manner described in note 22.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

##### *Loans and receivables*

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

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

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as held-for-trading investments, loans and receivables or held-to-maturity investments. The Group designated investments in equity securities as available-for-sale financial assets.

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

For 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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

#### **Impairment of financial assets**

Financial assets, other than held-for-trading investments, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Impairment of 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 default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as debtors, 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 debtors 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 of 30 days and other observable changes in national or local economic conditions that correlate with default on debtors.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors and amounts due from associates, 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 debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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 assets. Such impairment loss will not be reversed in subsequent periods.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### ***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into 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 recorded at the proceeds received, net of direct issue costs.

#### *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.

#### *Financial liabilities*

Financial liabilities including creditors, bills payables, accrued charges, deposit received for re-development of the land, amounts due to associates and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

#### ***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment losses of non-financial assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 immediately in profit or loss, unless the relevant asset is carried at revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

### Provision for warranties

Provision for warranties are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

### Allowances for bad and doubtful debts

When there is objective evidence that loans receivable, trade debtors, other debtors and amounts due from associates may be impaired, the Group estimates the future cash flows of those balances. The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed on initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2013, the carrying amount of loans receivable was approximately HK\$3,748,000 (2012: approximately HK\$7,312,000) with no allowance for bad and doubtful debts, trade debtors was approximately HK\$85,141,000 (2012: approximately HK\$97,456,000) (net of allowance for bad and doubtful debts of approximately HK\$34,864,000 (2012: approximately HK\$31,984,000)), other debtors was approximately HK\$10,858,000 (2012: approximately HK\$7,350,000) (net of allowance for bad and doubtful debts of approximately HK\$5,852,000 (2012: approximately HK\$5,852,000)) and amounts due from associates was approximately HK\$1,335,000 (2012: approximately HK\$1,333,000) (net of allowance for bad and doubtful debts of approximately HK\$3,568,000 (2012: approximately HK\$3,906,000)).

### Provision for warranties

The provision of warranties of the Group is determined based on the management's best estimate of the Group's liabilities under a 1 to 2 years warranty period granted for the electroplating products based on its past experience. The actual settlement may differ from the estimation made by the management. If the amounts are settled for an amount greater than management's estimation, a future charge will be recognised in profit or loss when the amounts are settled. Likewise, if the amounts are settled for an amount that is less than the management's estimation, a future credit to profit or loss will be recognised in profit or loss when the amounts are settled. As at 31st December, 2013, the carrying amount of provision of warranties was approximately HK\$20,698,000 (2012: approximately HK\$14,477,000).

### Allowance for inventories

Management of the Group reviews an aging analysis at the end of the reporting period, and makes allowance for obsolete and slow moving inventory items identified that are not suitable for use in current production. Management estimates the net realisable value for raw materials based primarily on the latest invoice prices and current market conditions. However, given the competitiveness of the industry, these prices may subsequently be affected. The Group carries out an inventory review on an item-by-item basis at the end of the reporting period and makes allowance for these items. As at 31st December, 2013, the carrying amount of inventories was approximately HK\$41,053,000 (2012: approximately HK\$39,572,000). Allowance for slow moving inventories of approximately HK\$437,000 was made during the year ended 31st December, 2013 (2012: approximately HK\$2,057,000).

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Revenue recognition of construction contracts

Revenue from construction contracts in respect of design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery, which is individually built to customer order and unique specifications, is recognised on the percentage of completion method, measured by reference to the proportion of the contract costs incurred for the work performed to date over the estimated total contract costs. Accordingly, any changes to the estimated total contract cost may have material impact on the contract revenue recognised in each accounting period over the contract term.

## 5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which include the bank borrowings disclosed in note 27, and equity attributable to owners of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as the addition of new borrowings.

## 6. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2013 HK\$'000	2012 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	335,911	271,581
Held-for-trading investments	17,347	15,107
Financial liabilities		
Amortised cost	239,769	168,357

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 6. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies

The Group's major financial instruments include loans receivable, debtors and bills receivables, held-for-trading investments, amounts due from associates, pledged bank deposits, bank balances, creditors, bills payables, accrued charges, deposit received for re-development of the land, amounts due to associates and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

### Currency risk

Several subsidiaries of the Group have foreign currency sales and purchases. The Group is therefore exposed to foreign currency risk. In addition, certain debtors, pledged bank deposits, bank balances, creditors, bills payables, accrued charges and bank borrowings are denominated in currencies other than the functional currency of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the group's entities' foreign currency denominated monetary assets and monetary liabilities against their functional currency, HKD, at the end of the reporting period are as follows:

	Assets		Liabilities	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Australian Dollars ("AUD")	486	60	–	–
Canadian Dollars ("CAD")	9,400	1,777	–	5,416
Euro ("EUR")	559	7,064	7,927	4,826
Sterling Pound ("GBP")	4,382	1,768	155	65
Taiwan Dollars ("NTD")	1,325	1,323	927	1,269
United States Dollars ("USD")	142,914	98,604	39,466	22,679
Philippine Peso ("PESO")	99	106	–	–
Japanese Yen ("JPY")	–	–	423	90
Renminbi ("RMB")	43,469	1,084	185	–



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 6. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Currency risk (Continued)

The carrying amounts of inter-company balances of certain group entities which were denominated in foreign currency are as follows:

	Assets	
	2013 HK\$'000	2012 HK\$'000
HKD against RMB	157,475	127,113

The Directors of the Company expect the foreign exchange exposure on USD against HKD to be minimal because HKD is pegged with USD. Accordingly, no sensitivity analysis is presented for it.

#### Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2012: 10%) increase and decrease in AUD, CAD, EUR, GBP, NTD, HKD, PESO, JPY, and RMB against the functional currency of the relevant group entities. 10% (2012: 10%) is the sensitivity rate used that 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 year end for a 10% (2012: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year (2012: a decrease in post-tax loss) where relevant currencies strengthen 10% (2012: 10%) against the functional currency of the relevant group entities. For a 10% (2012: 10%) weakening of relevant currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result.

	Profit and loss	
	2013 HK\$'000	2012 HK\$'000
AUD against HKD	49	6
CAD against HKD	940	(364)
EUR against HKD	(737)	224
GBP against HKD	423	170
NTD against HKD	40	5
HKD against RMB	15,746	12,711
PESO against HKD	10	11
JPY against HKD	(42)	(9)
RMB against HKD	4,328	108

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 6. FINANCIAL INSTRUMENTS *(Continued)*

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

#### **Interest rate risk**

The Group is exposed to cash flow interest rate risk in relation to variable-rate loans receivable as at 31st December, 2013 and 2012 (see note 18 for details). It is the Group's policy to keep its loans receivable at floating rate of interests so as to minimise the fair value interest rate risk.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits and time deposits placed with banks (see note 24 for details) as well as its fixed-rate bank borrowings. The Group has not used any derivative contracts to hedge this exposure to interest rate risk. The Directors of the Company consider that the Group's exposure to fair value interest rate risk is not significant as the fixed-rate pledged bank deposits, time deposits and bank borrowings are with short maturity period.

The Group currently does not have interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

#### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate loans receivable at the end of the reporting period. The analysis is prepared assuming the amount of loans receivable outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2012: 100 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2012: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2013 would increase / decrease by approximately HK\$37,000 (2012: decrease/increase of the Group's post-tax loss by approximately HK\$73,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate loans receivable.

#### **Equity price risk**

The Group is exposed to potential loss in market value resulting from an adverse change in prices through its quoted held-for-trading investments. Management manages this exposure by closely monitoring the performance of the investments and market conditions. Management will consider diversifying the portfolio of investments as they consider appropriate.

#### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to equity price risks for held-for-trading investments at the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 6. FINANCIAL INSTRUMENTS *(Continued)*

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

#### **Equity price risk** *(Continued)*

##### *Sensitivity analysis (Continued)*

If the prices of the respective equity instruments had been 10% (2012: 10%) higher/lower the Group's post-tax profit for the year ended 31st December, 2013 would increase/decrease by approximately HK\$1,735,000 (2012: decrease/increase of the Group's post-tax loss by approximately HK\$1,511,000) as a result of the changes in fair value of held-for-trading investments.

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

#### **Credit risk**

The Group's credit risk are primarily attributable to loans receivable, trade debtors and bills receivables, amounts due from associates, pledged bank deposits and bank balances.

The Group's maximum exposure to credit risk, without taking into account the collateral as provided by the borrowers, in the event of the counterparties' failure to discharge their obligations as at 31st December, 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The management closely monitors the subsequent settlement of the debts and does not grant long credit period to customers. 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 Group's pledged bank deposits and bank balances are mainly deposited with banks in Hong Kong and the People's Republic of China (excluding Hong Kong) ("PRC"). The Group had concentration of credit risk as 43% and 23% of the total bank balances as at 31st December, 2013 was placed in the banks in Hong Kong and the PRC respectively (2012: 21% and 37% of the total bank balances in the banks in Hong Kong and the PRC respectively). The credit risk on liquid funds is limited because the counterparties are banks with good credit-rating.

The Group had concentration of credit risk as 44% (2012: 54%) of the total trade debtors and bills receivables as at 31st December, 2013 was due from the Group's five largest trade debtors and 56% (2012: 43%) of the total loans receivable as at 31st December, 2013 was due from the Group's largest borrower. The Group's five largest trade debtors are multi-national companies or well-established corporations while the amount owing from the Group's largest borrower arose from a mortgage loan that the borrower took out with the Group. In order to minimise the credit risk of those receivables, management closely monitored the recoverability of the amounts due. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 6. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Liquidity risk

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

As at 31st December, 2013, the Group has unutilised banking facilities of approximately HK\$74,208,000 (2012: approximately HK\$75,290,000).

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

#### Liquidity risk tables

	Weighted average effective interest rate %	On demand and less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2013</b>						
Creditors, bills payables and accrued charges	-	50,413	24,019	113,888	188,320	188,320
Deposit received for re-development of the land	-	50,880	-	-	50,880	50,880
Amounts due to associates	-	26	-	-	26	26
Bank borrowings	2.75	-	544	-	544	543
		101,319	24,563	113,888	239,770	239,769
<b>2012</b>						
Creditors, bills payables and accrued charges	-	12,180	49,345	57,046	118,571	118,571
Deposit received for re-development of the land	-	49,760	-	-	49,760	49,760
Amounts due to associates	-	26	-	-	26	26
		61,966	49,345	57,046	168,357	168,357

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 6. FINANCIAL INSTRUMENTS (Continued)

### Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of held-for-trading investments (listed in Hong Kong) are determined with reference to the quoted market bid prices available on the relevant exchange; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

### *Fair value measurement recognised in the consolidated statement of financial position*

Held-for-trading investments are measured subsequent to initial recognition at fair value and are grouped into Level 1. Level 1 fair value measurements are those derived from quoted prices in active market for identical assets or liabilities.

There were no transfers between Level 1 and 2 in the current and prior years.

## 7. REVENUE AND SEGMENT INFORMATION

### Revenue

The Group's revenue from electroplating machinery business for the years ended 31st December, 2013 and 2012 analysed by principal activity is as follows:

	2013 HK\$'000	2012 HK\$'000
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	392,491	323,636
Sale of spare parts of electroplating machinery	30,033	20,509
Provision of services – repairs and maintenance	48,315	38,629
	<b>470,839</b>	<b>382,774</b>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 7. REVENUE AND SEGMENT INFORMATION *(Continued)*

### Segment information

#### Segment revenue and results

The Group has one operating segment being the electroplating equipment segment which contributes the entire revenue of the Group. Reconciliation of the operating segment profit (loss) to profit (loss) before taxation is as follows:

	Electroplating equipment	
	2013	2012
	HK\$'000	HK\$'000
Segment revenue	470,839	382,774
Segment profit (loss)	17,405	(3,007)
Intra-group management fee charged to operating segment	5,189	5,112
Other income	3,377	2,824
Central corporate expenses	(18,401)	(17,035)
Bad debts recovered from an associate	338	–
Other gain or losses	2,363	(8,593)
Share of results of associates	1,429	747
Profit (loss) before taxation	11,700	(19,952)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the gross profit of the electroplating equipment segment and other income and expenses directly attributable to the segment activity (including intra-group management fee) but excluding interest income from loans receivable, unallocated interest income, dividend income and sundry income, central corporate expenses including auditor's remuneration and director's emoluments, bad debts recovered from an associate, net change in fair value of held-for-trading investments, loss on disposal of available-for-sale investments, unallocated net exchange gain or loss, gain on dissolution of a subsidiary and share of results of associates. This is the measure reported to the chief operating decision maker in order to assess segment performance.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment information (Continued)

#### Segment assets and liabilities

The following is an analysis of the Group's segment assets and segment liabilities that are regularly reviewed by the chief operating decision maker:

	2013 HK\$'000	2012 HK\$'000
Segment assets – electroplating equipment segment	283,122	278,838
Property, plant and equipment (for corporate)	1,700	4,062
Interests in associates	3,790	2,485
Loans receivable	3,748	7,312
Other debtors, deposits and prepayments (for corporate)	3,470	3,479
Held-for-trading investments	17,347	15,107
Amounts due from associates	1,335	1,333
Taxation recoverable	6	1,081
Pledged bank deposits	19,002	1,000
Bank balances and cash	221,651	159,698
<b>Consolidated total assets</b>	<b>555,171</b>	<b>474,395</b>
Segment liabilities – electroplating equipment segment	213,887	149,893
Other creditors and accrued charges (for corporate)	52,731	51,499
Amounts due to associates	26	26
Deferred taxation	4,315	4,315
Bank borrowings	543	–
Taxation payable	1,515	667
<b>Consolidated total liabilities</b>	<b>273,017</b>	<b>206,400</b>

For the purposes of monitoring segment performances and allocating resources to the electroplating equipment segment:

- All consolidated total assets are allocated to electroplating equipment operating segment other than interests in associates, loans receivable, held-for-trading investments, amounts due from associates, taxation recoverable, pledged bank deposits and bank balances and cash of the Group and corporate assets of the Group.
- All consolidated total liabilities are allocated to electroplating equipment operating segment other than amounts due to associates, deferred taxation, bank borrowings and taxation payable of the Group and corporate liabilities of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 7. REVENUE AND SEGMENT INFORMATION *(Continued)*

### Segment information *(Continued)*

#### Other segment information

	Electroplating equipment	
	2013	2012
	HK\$'000	HK\$'000
Amounts included in the measure of segment result or segment assets:		
Allowance for bad and doubtful trade debtors	8,895	4,195
Allowance for slow moving inventories	437	2,057
Bad debts recovered	1,535	343
Loss on disposal of property, plant and equipment	18	58
Depreciation	8,164	9,229
Release of prepaid lease payments	311	304
Provision for warranty	13,058	13,164
Finance costs	41	413
Capital additions	535	2,548

	Unallocated	
	2013	2012
	HK\$'000	HK\$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:		
Bad debts recovered from an associate	338	–
Capital additions	110	6
Loss on disposal of available-for-sale investments	–	19
Depreciation	81	141
Share of results of associates	1,429	747
Interest income	3,123	2,717



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

### Geographical information

The Group's operations are mainly located in Hong Kong, the PRC, Taiwan, Europe, the United States of America and other Asia countries.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of external customers.

	2013 HK\$'000	2012 HK\$'000
PRC	245,723	130,890
Europe	9,947	29,203
Taiwan	13,087	28,917
Canada	11,438	55,280
Saudi Arabia	7,543	–
Hong Kong	34,059	23,020
Singapore	6,670	13,978
The United States of America	14,587	12,023
Australia	–	64
Germany	14,148	16,392
Korea	79,159	39,230
Turkey	–	2,420
Russia	18,807	9,616
Thailand	13,024	17,109
Others	2,647	4,632
	<b>470,839</b>	<b>382,774</b>

Information about the Group's non-current assets (excluding financial instruments) is presented based on the geographical location of the assets.

	2013 HK\$'000	2012 HK\$'000
Hong Kong	27,758	32,457
PRC	61,032	65,140
Others	4,301	3,089
	<b>93,091</b>	<b>100,686</b>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

### Information about major customers

Revenues from customers under the electroplating equipment segment of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2013 HK\$'000	2012 HK\$'000
Customer A	100,052	N/A <sup>1</sup>
Customer B	50,807	N/A <sup>1</sup>
Customer C	N/A <sup>1</sup>	55,280
Customer D	N/A <sup>1</sup>	42,654

<sup>1</sup> The corresponding revenue did not contribute over 10% of total sales of the Group.

## 8. OTHER GAINS AND LOSSES

	2013 HK\$'000	2012 HK\$'000
Net change in fair value of held-for-trading investments	2,433	(6,314)
Loss on disposal of available-for-sale investments	–	(19)
Net exchange loss	(5,544)	(2,280)
Loss on disposal of property, plant and equipment	(18)	(58)
Gain on dissolution of a subsidiary (note 30)	–	227
Other gains and losses	(132)	(117)
	<b>(3,261)</b>	<b>(8,561)</b>

## 9. FINANCE COSTS

	2013 HK\$'000	2012 HK\$'000
Interest on bank borrowings wholly repayable within five years	41	413

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 10. TAXATION

The taxation charge comprises:

	2013 HK\$'000	2012 HK\$'000
Overseas taxation		
Charge for the year	<b>2,917</b>	1,229

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No tax is payable on the profit for both years arising in Hong Kong for certain group entities since the assessable profit is wholly absorbed by tax losses brought forward.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the remaining group entities subjected to Hong Kong Profits Tax have no assessable profit for both years.

Overseas taxation (including PRC enterprise income tax) is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

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

	2013 HK\$'000	2012 HK\$'000
Profit (loss) before taxation	<b>11,700</b>	(19,952)
Taxation at the income tax rate of 16.5%	<b>1,931</b>	(3,292)
Tax effect of share of results of associates	<b>(236)</b>	(123)
Tax effect of expenses not deductible for tax purpose	<b>534</b>	536
Tax effect of income not taxable for tax purpose	<b>(461)</b>	(29)
Tax effect of tax losses not recognised	<b>4,006</b>	6,032
Tax effect of deductible temporary differences not recognised	<b>72</b>	510
Tax effect of utilisation of tax losses previously not recognised	<b>(3,902)</b>	(2,564)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>973</b>	159
Taxation for the year	<b>2,917</b>	1,229

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 11. PROFIT (LOSS) FOR THE YEAR

	2013 HK\$'000	2012 HK\$'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,370	1,248
Cost of inventories recognised as expenses (including allowance for slow moving inventories of approximately HK\$437,000 (2012: approximately HK\$2,057,000))	221,370	192,672
Depreciation of property, plant and equipment	8,245	9,370
Release of prepaid lease payments	311	304
Operating lease payments in respect of rented premises	2,449	1,966
Staff costs:		
Directors' fee (note 12)	180	180
Directors' salaries, other benefits and performance related incentive payments (note 12)	7,200	7,200
Salaries and allowances	96,918	93,578
Contributions to retirement contributions schemes	2,518	2,228
	<b>106,816</b>	<b>103,186</b>
Interest income from loans receivable	(320)	(714)
Interest income from an associate	(154)	(179)
Investment income		
Interest earned on bank deposits	(2,830)	(1,846)
Other interest income from overdue trade debtors	(115)	(102)
Dividend income from		
– Held-for-trading investments (listed equity securities)	–	(23)
– Available-for-sale investments (unlisted equity securities)	(115)	(95)
	<b>(3,060)</b>	<b>(2,066)</b>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 12. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

### Directors' and chief executives' emoluments

The emoluments paid or payable to each of the five (2012: five) Directors were as follows:

#### For the year ended 31st December, 2013

	Lam Kwok Hing HK\$'000	Nam Kwok Lun HK\$'000	Kwan Wang Wai, Alan HK\$'000	Ng Chi Kin, David HK\$'000	Cheung Kin Wai HK\$'000	Total HK\$'000
<b>Executive Directors</b>						
Other emoluments						
Salaries and other benefits	3,600	3,600	-	-	-	7,200
Contributions to retirement benefits schemes	15	15	-	-	-	30
<b>Independent Non-Executive Directors</b>						
Fees	-	-	60	60	60	180
<b>Total emoluments</b>	<b>3,615</b>	<b>3,615</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>7,410</b>

#### For the year ended 31st December, 2012

	Lam Kwok Hing HK\$'000	Nam Kwok Lun HK\$'000	Kwan Wang Wai Alan HK\$'000	Ng Chi Kin, David HK\$'000	Cheung Kin Wai HK\$'000	Total HK\$'000
<b>Executive Directors</b>						
Other emoluments						
Salaries and other benefits	3,600	3,600	-	-	-	7,200
Contributions to retirement benefits schemes	14	14	-	-	-	28
<b>Independent Non-Executive Directors</b>						
Fees	-	-	60	60	60	180
<b>Total emoluments</b>	<b>3,614</b>	<b>3,614</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>7,408</b>

Mr. Lam Kwok Hing is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 12. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

(Continued)

No compensation was paid to the above Directors of the Company during the current year for the profit and prior years for the loss of office as or as an inducement to join or upon joining the Company. None of the above Directors of the Company has waived any emoluments during the current and prior years.

### Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2012: two) were Directors and Chief Executive of the Company whose emoluments are included above. The emoluments of the remaining three (2012: three) individuals were as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries and other benefits	3,832	3,746
Contributions to retirement benefits schemes	45	41
	<b>3,877</b>	<b>3,787</b>

Their emoluments were within the following band:

	Number of employees	
	2013	2012
HK\$1,000,001 – HK\$1,500,000	3	3

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 13. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

	2013 HK\$'000	2012 HK\$'000
The Group's profit (loss) for the year attributable to owners of the Company	<b>8,607</b>	(21,570)
Number of ordinary shares	<b>426,463,400</b>	426,463,400

No diluted earnings (loss) per share have been presented as there were no potential ordinary shares in issue during both years.

## 14. DIVIDEND

No dividend was paid or proposed during 2013, nor has any dividend been proposed since the end of reporting period (2012: nil).

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Construction in progress HK\$'000	Furniture and fixtures HK\$'000	Leasehold improvements HK\$'000	Plant, machinery and equipment HK\$'000	Motor vehicles HK\$'000	Computer software HK\$'000	Total HK\$'000
<b>COST OR VALUATION</b>								
At 1st January, 2012	114,334	1,818	10,502	15,381	58,951	11,531	3,800	216,317
Currency realignment	1,166	-	134	97	505	65	-	1,967
Additions	-	-	239	1,510	537	-	268	2,554
Disposals	-	-	(66)	-	(621)	-	-	(687)
Transfer	1,818	(1,818)	-	-	-	-	-	-
At 31st December, 2012	117,318	-	10,809	16,988	59,372	11,596	4,068	220,151
Currency realignment	1,484	-	158	145	620	83	-	2,490
Additions	-	-	136	76	433	-	-	645
Disposals	(3,000)	-	(187)	-	(247)	(1,362)	(22)	(4,818)
At 31st December, 2013	115,802	-	10,916	17,209	60,178	10,317	4,046	218,468
<b>COMPRISING</b>								
At cost	27,302	-	10,916	17,209	60,178	10,317	4,046	129,968
At valuation								
- 31st March, 1992	35,712	-	-	-	-	-	-	35,712
- 31st March, 1994	52,788	-	-	-	-	-	-	52,788
	115,802	-	10,916	17,209	60,178	10,317	4,046	218,468
<b>DEPRECIATION, AMORTISATION AND IMPAIRMENT</b>								
At 1st January, 2012	41,404	-	8,372	12,607	46,059	10,553	1,531	120,526
Currency realignment	345	-	99	73	319	52	-	888
Provided for the year	2,615	-	568	2,565	2,872	244	506	9,370
Eliminated on disposals	-	-	(30)	-	(444)	-	-	(474)
At 31st December, 2012	44,364	-	9,009	15,245	48,806	10,849	2,037	130,310
Currency realignment	478	-	122	125	427	70	-	1,222
Provided for the year	2,585	-	394	1,523	3,051	192	500	8,245
Eliminated on disposals	(606)	-	(168)	-	(223)	(1,362)	(14)	(2,373)
At 31st December, 2013	46,821	-	9,357	16,893	52,061	9,749	2,523	137,404
<b>CARRYING AMOUNTS</b>								
At 31st December, 2013	68,981	-	1,559	316	8,117	568	1,523	81,064
At 31st December, 2012	72,954	-	1,800	1,743	10,566	747	2,031	89,841



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

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

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

Leasehold land and buildings	over the shorter of 20-50 years or the term of the lease
Furniture and fixtures	25%
Leasehold improvements	over the shorter of 25% or the term of the lease
Plant, machinery and equipment	12½% to 33⅓%
Motor vehicles	33⅓%
Computer software	12½%

As at 31st December, 2013, had the revalued leasehold land and buildings been carried at cost less accumulated depreciation, the carrying value of the leasehold land and buildings would have been stated at approximately HK\$35,868,000 (2012: approximately HK\$36,992,000).

	2013 HK\$'000	2012 HK\$'000
The Group's leasehold land and buildings comprise buildings on:		
Medium-term leasehold land in Hong Kong	25,044	28,273
Medium-term leasehold land in the PRC	43,937	44,681
	<b>68,981</b>	72,954

On 7th August, 2011, a wholly-owned subsidiary of the Company entered into an agreement (the "Agreement") with an independent third party ("Counter Party") in relation to a re-development plan ("Re-development") of two parcels of industrial land located in Bao An District, Shenzhen, the PRC, of the Group ("Land") from industrial land into residential properties for resale. The details of the Agreement are set out in the Company's circular dated 19th September, 2011. Pursuant to the Agreement, the Group has agreed to vacate from the Land and demolish the existing buildings and structures built or erected on the Land at its own costs and the Counter Party has agreed to re-develop the Land into residential properties and compensate the Group by paying a relocation compensation of RMB50 million (approximately HK\$64 million) to the Group and transferring title of 41,000 sq.m. residential properties to the Group upon completion of the Re-development. According to the Agreement, the Counter Party is responsible for the Re-development (including but not limited to application to relevant responsible bodies of the PRC government, payment of additional land premium if any, provision of all required fund, design and construction of re-developed properties, sales of the re-developed properties, as well as obtaining a "sale of land use rights contract" (土地使用權出讓合同書) from the relevant responsible bodies of the PRC government) and set up a project company ("Project Company") for the purpose of Re-development. The Project Company was established by the Counter Party in August 2011.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group has entered into a re-development contract ("Re-development Contract") and relocation compensation agreement ("Relocation Compensation Agreement") with the Project Company in September 2011. Under the Re-development Contract, the Group shall apply for re-development of the Land under the "Shenzhen city town re-development formulated plan" (深圳市城市更新單元規劃制定計劃) and the Project Company shall have completed the application for town re-development and the Re-development shall have been listed as a "Town re-development formulated plan of the State" (政府城市更新規劃制定計劃) ("Completion of Registration") by the earlier of (i) two years after the signing of the Re-development Contract; or (ii) 26 months of the date of the Agreement.

Under the Relocation Compensation Agreement, the Group shall have completed all the demolition work on the Land and deliver the Land to the Project Company within six months upon receiving (i) the full payment of relocation compensation of RMB50 million (The Group has received RMB40 million as deposit up to 31st December, 2013 and the balancing amount of RMB10 million shall be paid to the Group within 30 days upon Completion of Registration) and (ii) written notice from the Counter Party.

Pursuant to the Agreement, if either the Group or the Counter Party fails to perform or observe the terms set forth under the Agreement, the non-defaulting party may, depending on the nature of the breach, terminate the Agreement, forfeit or return the deposit received by the Group or pay for liquidated damages (as the case may be) as stipulated under the Agreement. If the approval of the Re-development by the relevant responsible bodies of the PRC government cannot be obtained which is not due to the default of the Group or the Counter Party (including the Project Company), both the Group or the Counter Party can terminate the Agreement and return the assets (including the deposit received by the Group) transferred under the Agreement.

The Project Company has obtained the approvals from the Longhua Sub-district Office (龍華街道辦) and the Bao An District Old Town Reconstruction Office (寶安區舊改辦) for the Re-development. However, due to the subsequent change in the government structure, the Longhua New District was established on 30th December, 2011, which led to a change in the approval jurisdiction for the Re-development. The Re-development approval jurisdiction was transferred from the Bao An District Management Bureau (寶安區管理局) to the Longhua Management Bureau (龍華管理局) under the Urban Planning, Land and Resources Commission. Subsequent to this change, the Longhua Management Bureau has gradually established its personnel and completed its work preparations and was officially open for provision of services on 29th October, 2012. During their establishment period, the Project Company concurrently contacted the new and the original management bureaus in order to achieve faster progress in obtaining the approval and finally managed to strive for inclusion of the Re-development in the first batch of applications, amongst others, to be considered in approval meetings in 2013 and eventually obtained the approval from the Longhua New District Management Bureau. As at 31st December, 2013, the Re-development has been submitted to the Shenzhen Urban Renewal Office (深圳市更新辦).

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Project Company originally made efforts and strive to complete the registration before the deadline. However, the policy changed again. The urban planning, land and resources authorities of Shenzhen City and Longhua New District, through urban renewal work meetings, have clarified that the “Re-development Rolling Update and General Equilibrium Policy” (項目滾動更新和總量平衡政策) will be implemented for all urban renewal projects in the Longhua New District and that on the basis of whether a land grant contract has been entered into, new projects for the “reconstruction of industrial buildings into commercial or residential buildings” are no longer allowed to be included in the renewal plan if a sale of land use rights contract is not entered into for projects under the scheme so as to effectively increase the rate of the implementation of urban renewal projects. These factors resulted in a delay in Completion of Registration for the Re-development during the procedure of obtaining approval from the Shenzhen Urban Renewal Office.

In view of the fact that Re-development application was not completed within the agreed time due to force majeure for the reason of the policy change, on 25th October, 2013, the Group and Counter Party entered into a supplement agreement to extend the completion of the tasks associated with the Agreement for 12 months. The details of the supplement agreement are set out in the Company’s announcement dated 25th October, 2013.

The carrying amount of the Land and existing buildings built or erected on the Land was HK\$52,485,000 as at 31st December, 2013 (2012: approximately HK\$53,345,000). As at the end of the reporting period, the Group received the relocation deposit of RMB40 million (approximately HK\$51 million) (2012: RMB40 million (approximately HK\$50 million)) pursuant to the Agreement. As at the date of the report, the Re-development is subjected to the approval by the relevant responsible bodies of the PRC government and the Group is working with the Project Company in applying the re-development of the Land. The Land and existing buildings are currently used by the Group for production purpose. In the opinion of the Directors of the Company, as the approval involves several committees and departments of the PRC government, the final approval for the Re-development by the relevant responsible bodies of the PRC government may or may not be obtained. Hence, the deposit received amounted to RMB40 million is included in current liability and there is no other significant financial impact on the Group at this stage.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 16. PREPAID LEASE PAYMENTS

	2013 HK\$'000	2012 HK\$'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	8,548	8,664
Analysed for reporting purposes as:		
Current asset	311	304
Non-current asset	8,237	8,360
	<b>8,548</b>	<b>8,664</b>

## 17. INTERESTS IN ASSOCIATES

	2013 HK\$'000	2012 HK\$'000
Cost of investment in associates-Unlisted	3,285	3,285
Impairment loss made	(1,709)	(1,709)
	<b>1,576</b>	<b>1,576</b>
Share of post-acquisition gains	2,138	709
Share of currency translation reserve	76	200
	<b>3,790</b>	<b>2,485</b>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 17. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's principal associates as at 31st December, 2013 and 2012 are as follows:

Name of associate	Form of business structure	Country of incorporation	Proportion of nominal value of issued capital held by the Group		Principal activities
			2013	2012	
Asia Vigour (Holdings) Limited	Incorporated	British Virgin Islands	49%	49%	Investment holding
Process Automation (Sea) Pte Limited	Incorporated	Singapore	36%	36%	Sale of electroplating machines and spare parts

The summarised financial information in respect of the Group's associates is set out below:

	2013 HK\$'000	2012 HK\$'000
Total assets	24,824	28,928
Total liabilities	(14,296)	(22,026)
Net assets	10,528	6,902
Group's share of net assets of associates	3,790	2,485
Turnover	32,285	30,856
Profit for the year	4,354	2,377
Group's share of results of associates for the year	1,429	747
Group's share of other comprehensive income of associates	(124)	116

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 17. INTERESTS IN ASSOCIATES *(Continued)*

During the year, the Group discontinued recognition of its share of losses of certain associates. The unrecognised share of losses of those associates, extracted from the relevant management accounts of associates, both for the year and cumulatively, are as follows:

	2013 HK\$'000	2012 HK\$'000
Unrecognised share of losses of associates for the year	107	162
Accumulated unrecognised share of losses of associates	2,232	2,125

## 18. LOANS RECEIVABLE

The following is the maturity profile of loans receivable at the end of the reporting period:

	2013 HK\$'000	2012 HK\$'000
Repayable within 3 months	2,142	2,490
Repayable after 3 months but within 6 months	42	90
Repayable after 6 months but within 1 year	858	180
Total repayable within 1 year	3,042	2,760
Repayable after 1 year, but not exceeding 2 years	706	4,552
Total	3,748	7,312

The loans receivable are secured and interest-bearing. The range of effective interest rates, which are equal to contractual interest rates, on the Group's loans receivable is from Hong Kong prime rate minus 2% to Hong Kong prime rate plus 2% (2012: Hong Kong prime rate minus 2% to Hong Kong prime rate plus 2%).

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 19. INVENTORIES

	2013 HK\$'000	2012 HK\$'000
Raw materials	41,053	39,572

## 20. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2013 HK\$'000	2012 HK\$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred	154,043	242,150
Recognised profits less recognised losses	33,952	56,049
	187,995	298,199
Progress billings	(137,756)	(266,582)
	50,239	31,617
Represented by:		
Due from customers included in current assets	52,983	38,952
Due to customers included in current liabilities	(2,744)	(7,335)
	50,239	31,617

At the end of the reporting period, there were no retention monies held by customers for contract work performed (2012: nil). At 31st December, 2013, advances received from customers for contract work amounted to approximately HK\$370,000 (2012: approximately HK\$6,789,000) which were included in creditors, bills payables and accrued charges.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 21. DEBTORS, BILLS RECEIVABLES AND PREPAYMENTS

	2013 HK\$'000	2012 HK\$'000
Trade debtors and bills receivables	120,005	129,440
Less: Allowance for bad and doubtful debts	(34,864)	(31,984)
	85,141	97,456
Other debtors and prepayments	19,503	11,894
	<b>104,644</b>	<b>109,350</b>

As at 31st December, 2013, the trade debtors balance included trade debts due from associates of approximately HK\$7,057,000 (2012: approximately HK\$8,101,000).

The Group allows a general credit period of one to two months to its trade customers except construction contracts where the Group allows stage payments. Each construction contract will normally involve two to six stage payments, namely deposit payment, shipment payment, arrival payment, installation completion payment, chemical testing payment and acceptance payment. It will take at least one year from the time the electroplating machine is shipped before a construction contract will reach the acceptance stage. In most of the cases, invoice is due on presentation and credit will only be offered to customers in accordance with their financial credit abilities and established payment records.

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

	2013 HK\$'000	2012 HK\$'000
1 – 60 days	72,795	90,534
61 – 120 days	7,651	2,036
121 – 180 days	566	640
Over 180 days	4,129	4,246
	<b>85,141</b>	<b>97,456</b>

As at 31st December, 2013, the trade debtors and bills receivables of approximately HK\$72,795,000 (2012: approximately HK\$90,534,000) were neither past due nor impaired. No significant counterparty default was noted in the past.



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 21. DEBTORS, BILLS RECEIVABLES AND PREPAYMENTS (Continued)

As at 31st December, 2013, trade debtors of approximately HK\$12,346,000 (2012: approximately HK\$6,922,000) were past due but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. Bills receivables of approximately HK\$543,000 (2012: nil) were discounted for bank borrowings with full recourse. The average age of these trade receivables is 66 days (2012: 93 days) as at 31st December, 2013.

Aging of trade debtors which are past due but not impaired at the end of the reporting period:

	2013 HK\$'000	2012 HK\$'000
Past due by:		
1 – 60 days	7,651	2,036
61 – 120 days	566	640
121 – 180 days	2,831	3,353
Over 180 days	1,298	893
	<b>12,346</b>	<b>6,922</b>

### Movement in the allowance for bad and doubtful debts

	2013 HK\$'000	2012 HK\$'000
Balance at beginning of the year	31,984	28,261
Currency realignment	7	7
Allowance made on trade debtors	8,895	4,195
Bad debts recovered	(1,535)	(343)
Written off as against trade debtors	(4,487)	(136)
Balance at end of the year	<b>34,864</b>	<b>31,984</b>

Included in the allowance for doubtful debts of approximately HK\$34,864,000 (2012: approximately HK\$31,984,000) are individually impaired trade debtors, which were in severe financial difficulties. The Group has provided fully for these debts.

In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The trade debtors that were past due but not impaired were either subsequently settled or with no historical default of payments by the respective customers. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The Group received approximately HK\$115,000 (2012: HK\$102,000) as interest from overdue trade debtors.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 21. DEBTORS, BILLS RECEIVABLES AND PREPAYMENTS (Continued)

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

	GBP HK\$'000	USD HK\$'000	EUR HK\$'000	CAD HK\$'000
<b>As at 31st December, 2013</b>	<b>3,706</b>	<b>59,611</b>	<b>121</b>	<b>1,888</b>
As at 31st December, 2012	134	76,966	3,644	–

## 22. HELD-FOR-TRADING INVESTMENTS

	2013 HK\$'000	2012 HK\$'000
Equity securities listed in Hong Kong	<b>17,347</b>	15,107

Held-for-trading investments as at 31st December, 2013 and 31st December, 2012 represent equity securities listed in Hong Kong. The fair values of the investments are determined based on the quoted market bid prices available on the Stock Exchange. The fair value of held-for-trading investments was classified as Level 1 of the fair value hierarchy.

## 23. AMOUNTS DUE FROM AND TO ASSOCIATES

	2013 HK\$'000	2012 HK\$'000
<b>Amounts due from associates</b>		
Interest-bearing at Hong Kong prime rate plus 2% per annum	<b>3,543</b>	5,136
Less: Allowance for bad and doubtful debts	<b>(2,332)</b>	(3,906)
	<b>1,211</b>	1,230
Non-interest bearing	<b>124</b>	103
	<b>1,335</b>	1,333

The above balances are unsecured and repayable on demand.

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

During the year ended 31st December, 2013, the Group recovered bad debts of approximately HK\$338,000 from an associate (2012: nil).

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 24. PLEDGED BANK DEPOSITS AND BANK BALANCES

Bank balances including saving deposits and time deposits carry interest at market rates ranging from 0.001% to 5.6% per annum (2012: 0.001% to 5.8% per annum). The pledged deposits carry fixed interest rate ranging from 0.1% to 2.33% per annum (2012: 0.25% per annum). The pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group, and will be released upon the settlement of the relevant bank borrowings or upon expiry of the relevant banking facilities. Included in the bank balances and cash of the Group is an amount denominated in RMB of approximately HK\$56,579,000 (2012: approximately HK\$60,440,000), which are not freely convertible into other currencies.

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

	USD HK\$'000	AUD HK\$'000	GBP HK\$'000	EUR HK\$'000	NTD HK\$'000	RMB HK\$'000	PESO HK\$'000	CAD HK\$'000
<b>As at 31st December, 2013</b>	<b>83,303</b>	<b>486</b>	<b>676</b>	<b>438</b>	<b>1,325</b>	<b>43,469</b>	<b>99</b>	<b>7,512</b>
As at 31st December, 2012	21,638	60	1,634	3,420	1,323	1,084	106	1,777

## 25. CREDITORS, BILLS PAYABLES AND ACCRUED CHARGES

	2013 HK\$'000	2012 HK\$'000
Trade creditors	111,288	58,494
Bills payables	6,268	544
Accrued staff costs	17,476	14,990
Commission payables to sales agents	25,232	16,837
Other accrued charges	31,594	32,098
Advances received from customers for contract work	370	6,789
Retirement benefit obligations (note 35)	68	68
	<b>192,296</b>	<b>129,820</b>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 25. CREDITORS, BILLS PAYABLES AND ACCRUED CHARGES (Continued)

The following is an aged analysis of trade creditors and bills payables as at the end of the reporting period which is based on the invoice dates of the amounts due:

	2013 HK\$'000	2012 HK\$'000
0 – 60 days	60,672	16,681
61 – 120 days	32,792	21,026
121 – 180 days	16,081	12,315
Over 180 days	8,011	9,016
	<b>117,556</b>	<b>59,038</b>

The average credit period on purchase of goods is 60 – 120 days.

Creditors, bills payables and accrued charges that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	USD HK\$'000	GBP HK\$'000	EUR HK\$'000	NTD HK\$'000	RMB HK\$'000	JPY HK\$'000	CAD HK\$'000
<b>As at 31st December, 2013</b>	<b>38,923</b>	<b>155</b>	<b>7,927</b>	<b>927</b>	<b>185</b>	<b>423</b>	<b>–</b>
As at 31st December, 2012	22,679	65	4,826	1,269	–	90	5,416

## 26. WARRANTY PROVISION

	2013 HK\$'000	2012 HK\$'000
At 1st January	14,477	13,614
Additional provision in the year	13,058	13,164
Utilisation of provision	(6,837)	(12,301)
At 31st December	<b>20,698</b>	<b>14,477</b>
Analysed for reporting purposes as:		
Current	16,307	10,753
Non-current	4,391	3,724
	<b>20,698</b>	<b>14,477</b>

The warranty provision represents management's best estimation of the Group's liability under 1 to 2 years warranty granted on electroplating products, based on prior experience and industry averages for defective products.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 27. BANK BORROWINGS

	2013 HK\$'000	2012 HK\$'000
Bank loans	543	–

At 31st December, 2013, other bank loans represented the loans from discounting of bills receivable with full recourse.

The Group's bank borrowings were secured borrowings and carried interest at fixed market rate.

The range of effective interest rates (which were also equal to contracted interest rates) on the Group's borrowings were approximately 2.75% per annum in 2013.

The bank borrowings as at 31st December, 2013 that were denominated in USD, currencies other than the functional currency of the relevant group entity.

## 28. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Shares of HK\$0.01 each		
Authorised:		
At 1st January, 2012, 31st December, 2012 and 31st December, 2013	20,000,000,000	200,000
Issued and fully paid:		
At 1st January, 2012, 31st December, 2012 and 31st December, 2013	426,463,400	4,265

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 29. DEFERRED TAXATION

The following is the deferred tax liabilities recognised and movements thereon during the current and prior reporting periods:

	<b>Accelerated tax depreciation</b>	<b>Revaluation of properties</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2012, 31st December, 2012 and 31st December, 2013	1,239	3,076	4,315

At 31st December, 2013, the Group had estimated unused tax losses of approximately HK\$321,387,000 (2012: approximately HK\$322,917,000) and other deductible temporary differences of approximately HK\$26,761,000 (2012: approximately HK\$26,322,000) available for offset against future profits. No deferred tax asset has been recognised due to the uncertainty of future profits streams. The tax losses may be carried forward indefinitely.

Starting from 1st January, 2008, the tax law of the PRC requires withholding tax upon the distribution of undistributed retained profits earned by the PRC subsidiaries to the overseas shareholders. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits after 1st January, 2008 amounting to approximately HK\$40,160,000 (2012: HK\$33,907,000) 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.

## 30. DISSOLUTION OF A SUBSIDIARY

During the year ended 31st December, 2012, the Group dissolved of a subsidiary, Beijing Golden PAL Plating Equipment Company Limited. The net liabilities of the subsidiary at the date of dissolution were as follows:

	HK\$'000
Debtors, deposits and prepayments	15
Creditors, bills payable and accrued charges	(526)
	(511)
Non-controlling interest	(86)
Currency translation reserve	370
Gain on dissolution	(227)

The subsidiary dissolved of during the year ended 31st December, 2012 did not have a material effect on the Group's revenue, loss before taxation and cash flow.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 31. DISPOSAL OF A SUBSIDIARY

On 11st January, 2013, the Group disposed of (1) its entire interest of a subsidiary, Golden Rainbow Investments Limited ("Golden Rainbow") and (2) the shareholder's loan due by Golden Rainbow, to Mr. Nam Kwok Lun, an executive director who has an indirect interest in the Company, at a total cash consideration of HK\$3,600,000. The transaction constitutes a connected transaction for the Company under the Listing Rules. The net assets of Golden Rainbow at the date of disposal were as follows:

	HK\$'000
Property, plant and equipment	2,394
Gain on disposal (recognised as a deemed contribution by a shareholder)	1,206
<b>Total consideration</b>	<b>3,600</b>
Satisfied by:	
Cash	3,600
Cash inflow arising on disposal:	
Cash consideration received	3,600

The subsidiary disposed of during the current year did not have a material effect on the Group's revenue, profit before taxation and cash flow.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 32. SHARE OPTION SCHEMES

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 13th June, 2005, the Company adopted a share option scheme (the "Scheme") which became effective on 13th June, 2005.

The purpose of the Scheme is to enable the Company to grant option to the eligible participants as incentives and rewards for their contribution to the Company or its subsidiaries.

The subscription price for a share in respect of any particular option granted under the Scheme (which shall be payable upon exercise of the option) shall be such prices as the Directors in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

Upon acceptance of the option, the grantee shall pay HK\$1 to the Company by way of consideration for the grant.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other option scheme(s) of the Company must not exceed 10% of the shares in issue, i.e. 42,646,340 shares, on the date of approval and adoption of the Scheme by the shareholders.

The total number of shares issued and which may fall to be issued upon exercise of options granted under the Scheme and any other option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each eligible participant in any 12-month period up the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

The Scheme shall be valid and effective for a period of 10 years commencing from the date of its adoption.

No share options has been granted under the Scheme since its adoption.



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 33. OPERATING LEASE COMMITMENTS

### The Group as lessee

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

	2013 HK\$'000	2012 HK\$'000
Within one year	459	149
In the second to fifth year inclusive	289	171
	<b>748</b>	<b>320</b>

Operating lease payments represent rentals payable by the Group for its factory premises and staff quarters in the PRC. Leases are negotiated for five years and rentals are fixed for the leased period.

## 34. PLEDGE OF ASSETS

As at 31st December, 2013, the Group pledged bank deposits of approximately HK\$19,002,000 (2012: approximately HK\$1,000,000) to secure general banking facilities granted to the Group.

As at 31st December, 2013, apart from the bank borrowings as described in note 27, the Group utilised approximately HK\$19,002,000 of the banking facilities for the issuance of bank's guarantee for (1) warranty obligation of the Group, and (2) shipping guarantee to the customer of the Group. The Group has not utilised any banking facilities as at 31st December, 2012.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 35. RETIREMENT BENEFITS SCHEMES

Since 1st December, 2000, the Group has operated pension schemes under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately in an independently managed fund. The Group has followed the minimum statutory contribution requirements of 5% of eligible employees' relevant aggregate income with a maximum monthly contribution of HK\$1,250 (2012: HK\$1,000 which increased to HK\$1,250 effective from 1st June, 2012) per person. The contributions are charged to profit or loss as incurred. The Group's liability is limited to the monthly contributions to the fund.

The relevant PRC subsidiaries are required to make contributions to the state-managed schemes in the PRC based on a certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

In addition, a subsidiary in Hong Kong operates funded defined benefits pension scheme (the "ORSO Scheme") for all its qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

The most recent actuarial valuation of plan assets and liabilities of the ORSO Scheme was carried out at 31st December, 2011 by qualified staff of HSBC Life (International) Limited, who are members of the Society of Actuaries of the United States of America, and independent of the Group. The present value of the defined benefit obligation under ORSO Scheme and the related current service cost were measured using the projected unit credit method.

As at 31st December, 2013 and 31st December, 2012, the Directors consider the fair value of the plan assets and the present value of the liability of the ORSO Scheme approximate to their fair value and present values respectively at 31st December, 2011. No actuarial gain or loss was recognised by the Group for the year ended 31st December 2013 and 31st December, 2012 directly in other comprehensive income. The cumulative amount of actuarial loss recognised directly in other comprehensive income amounted to approximately HK\$488,000 (2012: approximately HK\$488,000) as at 31st December, 2013.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 36. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31st December, 2013 and 2012 are as follows:

Name of subsidiary	Place/country of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2013 %	2012 %	
ATNT Global Investments Company Limited	Hong Kong	HK\$2	100	100	Securities trading
ATNT Group Management Limited	Hong Kong	HK\$2	100	100	Management services
Beijing Golden PAL Plating Equipment Company Limited (Sino-foreign equity joint venture)	PRC	US\$1,291,500	–	– ^	Inactive
台灣亞洲自動化設備股份有限公司	Taiwan	TWD10,000,000	100	100	Installation of electroplating machines and after sale services
Dragon Will Investments Limited	British Virgin Islands*	US\$1	100	100	Investment Holding
Golden Rainbow Investments Limited	British Virgin Islands*	US\$1	– ^^	100	Property investment
Happy Win Resources Limited	British Virgin Islands*	US\$1	100#	100#	Investment holding
Longfaith Holdings Limited	British Virgin Islands*	US\$1	100	100	Investment holding
Palcon International Limited	British Virgin Islands*	US\$100	60	60	Investment holding
PAL Control Sdn. Bhd.	Malaysia	MYR2	60	60	Software development

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 36. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place/country of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2013 %	2012 %	
PAL Europe Limited	Hong Kong	HK\$2	100	100	Investment holding
PAL Finance Limited	Hong Kong	HK\$2	100	100	Money lending
PAL Properties Investment Limited	British Virgin Islands*	US\$1	100	100	Investment holding
PAL SEA Limited	British Virgin Islands*	US\$100	100	100	Investment holding
PAL (Sea) Sdn. Bhd.	Malaysia	MYR300,000	60	60	Sale of electroplating machines
PAL Service Sdn. Bhd.	Malaysia	MYR50,002	60	60	Sale of electroplating machines and spare parts
PAL Surface Treatment Systems Limited	Hong Kong	HK\$10,000	100	100	Sale of electroplating machines and spare parts
Process Automation (BVI) Limited	British Virgin Islands*	HK\$110,000	100 <sup>#</sup>	100 <sup>#</sup>	Investment holding
Process Automation (China) Limited (Wholly foreign-owned enterprise ("WFOE"))	PRC	HK\$8,500,000	100	100	Design, manufacture and sale of electroplating machines
Process Automation (Europe) Limited	The United Kingdom	GBP1	100	100	Sale of electroplating machines

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 36. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place/country of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2013 %	2012 %	
Process Automation International Limited ("PAIL")	Hong Kong	HK\$2 (Note)	100	100	Design, manufacture and sale of electroplating machines
Process Automation (Shenzhen) Limited (WFOE)	PRC	HK\$18,000,000	100	100	Design, manufacture and sale of electroplating machines
Rich Town Properties Limited	British Virgin Islands*	US\$2	100	100	Property investment

\* The subsidiaries operate in Hong Kong. The remaining subsidiaries operate in their places of incorporation.

# The proportion of nominal value of issued share capital is directly held by the Company. The proportion of nominal value of issued capital/registered capital of the remaining subsidiaries are indirectly held by the Company.

^ The subsidiary was dissolved during the year ended 31st December, 2012. The details are set out in note 30.

^^ The subsidiary was disposed of during the year ended 31st December, 2013. The details are set out in note 31.

Note: At 31st December, 2013, PAIL had outstanding 11,000,000 non-voting deferred shares of HK\$1 each which were held by Process Automation (BVI) Limited. The deferred shares carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of PAIL and practically carry no rights to participate in any distribution on winding up.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

## 37. RELATED PARTY TRANSACTION

Apart from the transaction as described in note 31, during the year, the Group entered into the following transactions with associates:

	Trade sales and service rendered		Trade purchases		Interest income		Warranty expense	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Associates	6,671	13,978	155	270	154	179	69	6

Details of the outstanding balances with associates are set out in notes 21 and 23.

During the year, the Group paid commission expense and other securities dealing expense from securities dealing of approximately HK\$24,000 (2012: approximately HK\$13,000) to Karl-Thomson Securities Company Limited, which is a wholly owned subsidiary of Hoifu. Mr. Lam Kwok Hing, an executive director and a substantial shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in Company, are directors of Hoifu.

A loan of HK\$9,000,000 was advanced to Hoifu on April 2012 and was paid back in full by Hoifu in December 2012. The Group received approximately HK\$337,000 as interest from Hoifu during the year ended 31st December, 2012.

The remuneration of directors and other members of key management of the Group during the year is as follows:

	2013	2012
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	15,623	16,271
Retirement benefits costs	150	148
	<b>15,773</b>	<b>16,419</b>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trend.

# Financial Summary

## RESULTS

	Year ended 31st December				2013 HK\$'000
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	
Revenue	195,359	585,945	606,422	382,774	<b>470,839</b>
Profit (loss) for the year attributable to:					
Owners of the Company	(54,277)	31,078	(37,660)	(21,570)	<b>8,607</b>
Non-controlling interests	(2,026)	29	(209)	389	<b>176</b>
	(56,303)	31,107	(37,869)	(21,181)	<b>8,783</b>

## ASSETS AND LIABILITIES

	At 31st December				2013 HK\$'000
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	
Total assets	383,742	578,244	511,589	474,395	<b>555,171</b>
Total liabilities	(108,034)	(261,594)	(225,670)	(206,400)	<b>(273,017)</b>
	275,708	316,650	285,919	267,995	<b>282,154</b>
Equity attributable to owners of the Company	271,385	312,119	281,809	265,065	<b>280,565</b>
Non-controlling interests	4,323	4,531	4,110	2,930	<b>1,589</b>
	275,708	316,650	285,919	267,995	<b>282,154</b>