HKSE: 1263

栢能集團有限公司*

# PC Partner Group Limited

Incorporated in the Cayman Islands with limited liability

## Annual Report 2013

* For identification purpose only

# Contents



# Company Profile

PC Partner is a leading manufacturer of computer electronics products. Our key products are video graphics cards, motherboards and mini-PCs. We are also offering one-stop electronics manufacturing services to reputable brands all over the world.

As one of the leaders in the industry, we leverage our extraordinary research and development capabilities and state-of-the-art production facilities to constantly bring new product ideas and leading-edge innovations to the market. We endeavour to stay ahead of the industry to ensure success and competitiveness in serving the needs of our customers.

We are a technology company with a global vision.

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. WONG Shik Ho Tony
*(Chairman and Chief Executive Officer)*
Mr. WONG Fong Pak
*(Executive Vice President)*
Mr. LEUNG Wah Kan
*(Chief Operation Officer)*
Mr. HO Nai Nap
Mr. MAN Wai Hung

### Non-executive Director

Mrs. HO WONG Mary Mee-Tak
Mr. CHIU Wing Yui
(Alternate Director to Mrs. HO WONG Mary Mee-Tak)

### Independent Non-executive Directors

Mr. IP Shing Hing
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung

## AUDIT COMMITTEE

Mr. LAI Kin Jerome *(Chairman)*
Mr. IP Shing Hing
Mr. CHEUNG Ying Sheung

## REMUNERATION COMMITTEE

Mr. IP Shing Hing *(Chairman)*
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung
Mr. WONG Shik Ho Tony

## NOMINATION COMMITTEE

Mr. IP Shing Hing *(Chairman)*
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung
Mr. WONG Shik Ho Tony

## COMPANY SECRETARY

Ms. LEUNG Sau Fong

## AUTHORISED REPRESENTATIVES

Mr. WONG Shik Ho Tony
Ms. LEUNG Sau Fong

# Corporate Information

## AUDITOR

BDO Limited
25/F., Wing On Centre
111 Connaught Road Central
Hong Kong

## LEGAL ADVISER

Woo Kwan Lee & Lo
26/F., Jardine House
1 Connaught Place
Central
Hong Kong

## COMPLIANCE ADVISER

WAG Worldsec Corporate Finance Limited
6/F., New Henry House
10 Ice House Street
Central
Hong Kong

## REGISTERED OFFICE

Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19/F., Shatin Galleria
18–24 Shan Mei Street
Fo Tan
Shatin
New Territories

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F.
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Australia and New Zealand Banking Group Limited

## WEBSITE

www.pcpartner.com

# Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the "Board") of PC Partner Group Limited ("PC Partner" or the "Company") together with its subsidiaries (the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2013 (the "year under review").

## PERFORMANCE

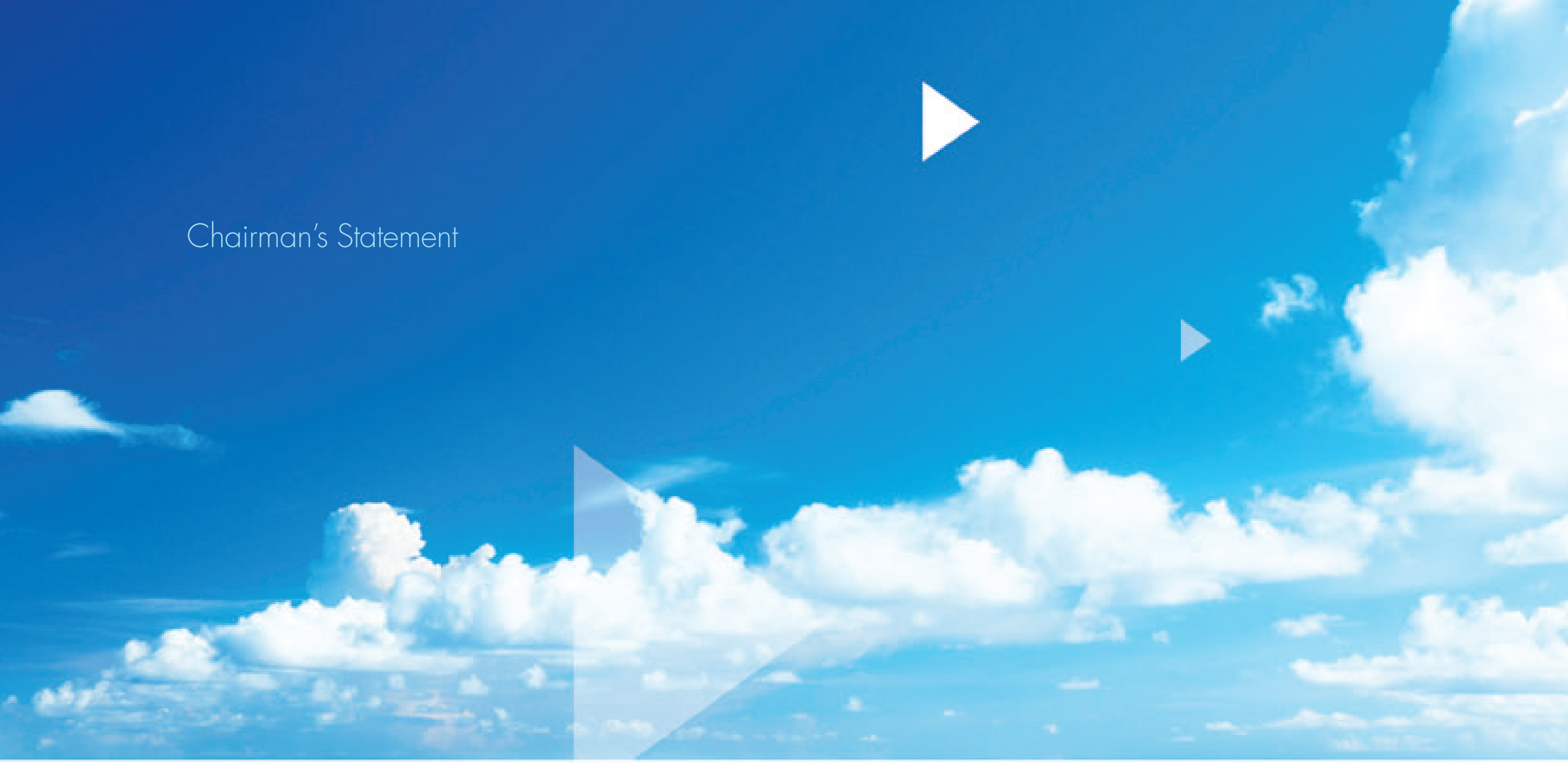
In 2013, global economy recorded sluggish growth and faced a slow recovery in the United States and Europe, provided a challenging operational environment for the computer and electronics market. As a result of cautious spending pattern driven by the weakening market demand and intense price competition, the total revenue of the Group for the year ended 31 December 2013 amounted to approximately HK$4,803.1 million, representing a decrease of approximately HK$372.6 million or 7.2% compared with last year. Our profit for the year increased by approximately HK$20.8 million or 39.8% to approximately HK$73.1 million in 2013.

The Board proposes the payment of a final dividend of HK4 cents per share.

## OPPORTUNITIES AND CHALLENGES IN THE INDUSTRY

During the year under review, video graphics cards remained as a major source of revenue, representing 69.7% of the Group's revenue. For the year ended 31 December 2013, the sales of video graphics cards experienced an increase of 3.1% from HK$3,247.1 million in 2012 to approximately HK$3,347.7 million in 2013. The revenue derived from electronics manufacturing services (EMS) business and other PC related products and components business decreased to HK$1,204.6 million and HK$430.8 million this year respectively, representing a decrease of 19.4% and 34.5% respectively. The decline in EMS was mainly attributable to the decrease in sales of Internet Media Tablets, flash memory modules and Light Emitting Diode modules, which was partially offset by higher demand in both Point-Of-Sales and Automatic Teller Machines systems, healthcare products, and other EMS products. Decline in other PC related products and components was mainly due to decrease in sales of motherboard and trading in components throughout the year.

The Group continued to invest in research and development and promotion and development of new products and brand name. To cope with our future development, we continued to participate in several renowned worldwide computers and electronics exhibitions and reputable technology events this year, showcasing the latest and quality products of the Group to buyers as well as to seek new business opportunities.



## OUTLOOK

Looking ahead, the operating environment will remain difficult as a result of the unresolved market uncertainties. The Group will continue with its prudent development strategy to cope with market changes. Riding on the strong fundamentals built up over the years, the Group will leverage its core strength to further expand business networks to develop and promote new products and brand name with advanced research and development, branding and manufacturing capabilities. The Group will capture the growing opportunities on the EMS and other PC related products and components segments.

Coupled with competitive design, develop and engineering capabilities, the Group will continue to drive the development of new products and new business in order to enlarge its revenue growth. As one of the world leading computer electronics manufacturers, we will strengthen our strategic partnership with international major chipset players, customers and suppliers which push ahead PC Partner to deliver high performance, cost-competitive products and solutions to the marketplace.

On behalf of the Board, I would like to express my cordial gratitude to all shareholders and employees for their continuous support over the years. The Group will continue to offer innovative and reliable products and services to customers, and to maximise returns for our shareholders.

**WONG Shik Ho Tony**
*Chairman and Chief Executive Officer*

Hong Kong, 31 March 2014

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group is principally engaged in the design, development, and manufacturing of video graphics cards for desktop PCs, electronics manufacturing services ("EMS"), and manufacturing and trading in other PC related products and components.

The Group manufactures video graphics cards for Original Design Manufacturer/Original Equipment Manufacturing ("ODM/OEM") customers and also manufactures and markets video graphics cards and other PC products under its own ZOTAC, Inno3D and Manli brands. The relationships with NVIDIA and AMD, the two globally dominant GPU suppliers, enable the Group to develop cost-competitive, high performance products and solutions to serve its customers. Video graphics cards remained as the core business of the group for the year under review.

The Group provides EMS to globally recognised brands. Among these, the Group manufactures products for providers of Point-Of-Sales ("POS") and Automatic Teller Machines ("ATM") systems, healthcare products, Light Emitting Diode ("LED") modules, Internet Media Tablet and a number of other customers. Beside the video graphics cards and the EMS businesses, the Group manufactures and sells other PC related products, such as mini-PCs and motherboards under its own brands and on ODM/OEM basis, and derives revenue from trading in components.

### Business Performance

Total revenue decreased by HK$372.6 million or 7.2%, from HK$5,175.7 million in 2012 to HK$4,803.1 million in 2013. It was mainly due to a decline in the Europe, Middle East, Africa and India ("EMEAI") region by HK$562.8 million or 36.7% from HK$1,531.5 million to HK$968.7 million in 2013. The impact is partially offset by a growth in all other regions including Asia Pacific ("APAC"), North and Latin America ("NALA"), and People's Republic of China ("PRC") by a total of HK$190.2 million.

### APAC region

APAC region experienced an increase in revenue by HK$67.1 million or 3.2%, from HK$2,071.2 million in 2012 to HK$2,138.3 million in 2013. This was mainly resulted from an increase in sales of video graphics cards to the ODM/OEM contracting manufacturing customers and the own brands business in the region.

### EMEAI region

EMEAI region experienced a decline in revenue of HK$562.8 million or 36.7%, from HK$1,531.5 million in 2012 to HK$968.7 million in 2013. This was mainly attributable to decline in orders from EMS customers of (i) Internet Media Tablets by HK$386.8 million or 89.0% from HK$434.8 million in 2012 to HK$48.0 million in 2013; and (ii) LED modules by HK$166.7 million or 69.9% from HK$238.6 million in 2012 to HK$71.9 million in 2013.

### NALA region

NALA region recorded a growth in revenue of HK$61.1 million or 9.7%, from HK$629.9 million in 2012 to HK$691.0 million in 2013. It was mainly attributable to revenue contribution from a healthcare product customer by HK$139.8 million or 148.9% from HK$93.9 million in 2012 to HK$233.7 million in 2013. This has partially offset the decline in revenue from both the ODM/OEM contracting manufacturing business in video graphics cards and own brands business in the region.

### PRC region

PRC region recorded a growth in revenue of HK$61.9 million or 6.6%, from HK$943.1 million in 2012 to HK$1,005.0 million in 2013. This was mainly attributed to the sales increment in video graphics cards in the region.


# Management Discussion and Analysis


## FINANCIAL REVIEW

### Revenue

Total revenue decreased by HK$372.6 million or 7.2%, from HK$5,175.7 million in 2012 to HK$4,803.1 million in 2013. It was mainly attributable to decline in revenue from EMS by HK$246.6 million and decline in revenue from other PC related products and components by HK$226.6 million, which were partially offset by an increase in revenue from video graphics cards by HK$100.6 million.

Revenue from video graphics cards increased by HK$100.6 or 3.1%, from HK$3,247.1 million in 2012 to HK$3,347.7 million in 2013. It was mainly due to the net effect of revenue increase in own brands video graphics cards by HK$128.1 million or 7.3%, from HK$1,756.6 million in 2012 to HK$1,884.7 million in 2013, and a decline in revenue derived from ODM/OEM contract manufacturing businesses by HK$27.5 million or 1.8%, from HK$1,490.5 million in 2012 to HK$1,463.0 million in 2013.

Revenue derived from the EMS businesses decreased by HK$246.6 million or 19.4%, from HK$1,271.2 million in 2012 to HK$1,024.6 million in 2013. The decrease was mainly due to a decrease in sales of Internet Media Tablets, flash memory modules and LED modules, which was partially offset by higher demand in both POS and ATM systems, healthcare products, and other EMS products.

Revenue from other PC related products and components decreased by HK$226.6 million or 34.5%, from HK$657.4 million in 2012 to HK$430.8 million in 2013. The decrease was mainly attributable to decrease in sales of motherboard and trading in components during the year.

### Gross Profit and Margin

The gross profit of the Group for 2013 was HK$478.4 million, representing an increase of HK$17.4 million or 3.8% compared with HK$461.0 million in 2012. Gross profit margin for 2013 has been increased by 1.1 percentage points from 8.9% in 2012 to 10.0% in 2013. This was mainly attributable to the continuous improvement in the Group's product mix, which reduced the overall material cost to revenue ratio by 1.1 percentage points, from 85.3% in 2012 to 84.2% in 2013. In addition, operational efficiency has been achieved and successfully offset the incremental impact on minimum wages in Dongguan and the appreciation of the Renminbi, so that the conversion cost to revenue ratio remained at 5.8% for both 2012 and 2013.

### Profit for the year

The profit for the year in 2013 was HK$73.1 million, representing an increase of HK$20.8 million or 39.8% over 2012 of HK$52.3 million. The increase in gross profit together with the reduction of operating expense has contributed to the increase in profit for the year.

Selling and distribution expenses decreased by HK$4.4 million or 4.4%, from HK$99.9 million in 2012 to HK$95.5 million in 2013. Selling and distribution expense to revenue ratio has been increased by 0.1 percentage point from 1.9% in 2012 to 2.0% in 2013. This was mainly attributable to the reduction in the variable selling and distribution expenses as a result of the reduction in product sales.

Administrative expenses decreased by HK$1.5 million or 0.5%, from HK$297.8 million in 2012 to HK$296.3 million in 2013. It was mainly attributable to cost control and cost reduction by the Group, which generated savings on administrative expenses for the year.

Finance costs decreased by HK$3.1 million or 22.3%, from HK$13.9 million in 2012 to HK$10.8 million in 2013. It was mainly resulted from the reduction of bank interest rates and the Group's lower bank borrowings needs, which relied less on bank borrowings as the cost of sales declined during the year.

Income tax expense was increased by HK$1.5 million or 13.3%, from HK$11.3 million in 2012 to HK$12.8 million in 2013. It was mainly attributable to the increase in operating profit of the Group and increase in the gross profit margin of certain Hong Kong entities.

### Profit Attributable to Shareholders and Dividends

The profit attributable to shareholders of the Group for 2013 was HK$73.1 million, representing an increase of HK$20.8 million compared with 2012 of HK$52.3 million. Net profit margin increased by 0.5 percentage points from 1.0% in 2012 to 1.5% in 2013.

Basic earnings per share were increased by HK4.9 cents, to HK17.5 cents for 2013 as compared with HK12.6 cents in 2012. The Directors proposed a final dividend of HK4 cents per share for 2013, which is estimated to amount to approximately HK$16.7 million.

Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

### Shareholders' Funds

Total shareholders' funds have been increased by HK$53.6 million, from HK$728.0 million in 2012 to HK$781.6 million in 2013.

### Financial Position

The Group has total current assets of HK$2,398.4 million as at 31 December 2013 and HK$2,154.5 million as at 31 December 2012. The Group's total current liabilities amounted to HK$1,710.6 million as at 31 December 2013 and HK$1,547.5 million as at 31 December 2012. The Group's current ratio, defined as total current assets over total current liabilities, remained at 1.4 as at 31 December 2013.

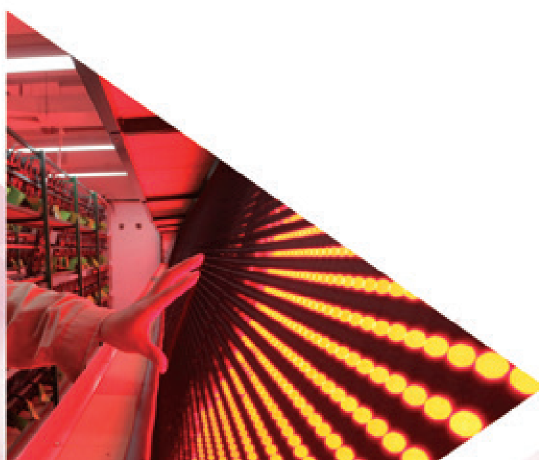
The Group's cash and bank balances increased from HK$602.6 million as at 31 December 2012 to HK$689.0 million as at 31 December 2013. Based on the borrowings of HK$823.2 million as at 31 December 2013 and HK$821.6 million as at 31 December 2012, and total equity of HK$781.6 million as at 31 December 2013 and HK$728.0 million as at 31 December 2012, the Group's gearing ratio (being net debts divided by total equity) reduced from 30.1% as at 31 December 2012 to 17.2% as at 31 December 2013. The decrease in gearing ratio was mainly attributable to higher cash and bank balances and total equity as at 31 December 2013.

### Exposure to Fluctuation in Exchange Rates

As at 31 December 2013, the Group was exposed to currency risk primarily through sales and purchases that have denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to the risk are primarily United States dollar, Renminbi and Korean Won. The Group managed certain of its exchange rate risk by entering into performance swap contracts and non-deliverable foreign exchange forward contract.

### Treasury Policies

The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global operations and to minimise the Group's financial risks. The Group principally uses performance swap contract and non-deliverable foreign exchange forward contract as appropriate risk management purposes only, for hedging foreign exchange transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions for speculative purposes.



### Working Capital

Inventories of the Group as at 31 December 2013 were HK$854.3 million, increased by HK$156.4 million or 22.4% as compared with HK$697.9 million as at 31 December 2012. It was mainly due to additional raw material planned and additional buffer finished goods built up for production close down during the Chinese New Year. Therefore, the inventory turnover days increased from 58 days as at 31 December 2012 to 66 days as at 31 December 2013.

Trade receivables as at 31 December 2013 were HK$815.7 million, decreased by HK$20.8 million or 2.5% as compared with HK$836.5 million as at 31 December 2012. Trade receivable turnover days increased from 59 days as at 31 December 2012 to 63 days as at 31 December 2013.

Trade payables as at 31 December 2013 was HK$693.4 million, increased by HK$140.2 million or 25.3% as compared with HK$553.2 million as at 31 December 2012. Trade payable turnover days decreased from 58 days as at 31 December 2012 to 53 days as at 31 December 2013.

### Charge on Assets

As at 31 December 2013, bank deposit of HK$0.3 million was pledged to banks to secure general banking facilities granted to the Group.

### Capital Expenditure

The Group invested HK$9.9 million in the purchase of property, plant and equipment in 2013. All of these capital expenditures were financed by internal resources and the proceeds from the initial public offering.

### Capital Commitments and Contingent Liabilities

As at 31 December 2013, total capital commitments amounted to HK$0.6 million, and there were no material contingent liabilities or off balance sheet obligation.


# Management Discussion and Analysis


### Significant Acquisitions and Disposals of Investments

Save for those disclosed in the consolidated statement of financial position, there was no other significant investments held and there was no acquisition of additional interests in subsidiaries or disposal of subsidiary.

### Future plans for material investments or capital assets

The Group had no plan for material investments or acquisitions of capital assets as at 31 December 2013, but will actively pursue opportunities for investments to enhance its profitability in the ordinary course of business.

## USE OF PROCEEDS

The aggregated net proceeds from the Offering (as defined in the Company's prospectus dated 29 December 2011), based on an offer price of HK$1.6 per offer share was HK$109.0 million. The Group intended to apply such net proceeds as set forth in the prospectus dated 29 December 2011, namely HK$46.0 million for expansion production capacity, HK$24.0 million for promotion and development of new products and brand name, HK$24.0 million for research and development, HK$5.0 million for upgrading the existing Enterprise Resources Planning ("ERP") system and IT resources, and HK$10.0 million for the Group's working capital and general corporate purposes. As at 31 December 2013, the Group has applied HK$13.2 million on expansion of production facilities, HK$18.8 million on promotion and development of new products and brand name, HK$7.0 million on research and development, and HK$5.0 million on ERP system upgrade project.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group had 4,858 employees (2012: 5,321 employees). Employees are remunerated on basis of their individual performance and prevailing industry practice. Compensation policies and remuneration packages of the employees are reviewed at least once a year. In addition to basic salary, medical benefits, provident fund and performance related bonuses may also be awarded to employees. The Company has also adopted a Pre-IPO Share Option Scheme to recognise the contributions of and as retention incentive to the executive directors, certain management staff and selected long service employees of the Group.

# Corporate Governance Report

The Directors recognise the importance of incorporating elements of good corporate governance in the management structure and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously observe the principles of good corporate governance in the interests of the Company and its shareholders and devote considerable efforts to identifying and formalising best practice.

During the year ended 31 December 2013, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") except for the deviation from code provision A.2.1 of the Code as described below.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2013, the roles of chairman and chief executive officer of the Company were performed by Mr. WONG Shik Ho Tony. With Mr. WONG's extensive experience in the electronics industry, in addition to his role as chairman responsible for overall strategic management and corporate development of the Group, he is also heavily involved and instrumental to the Group in running its daily business. The Board considers that vesting the roles of chairman and chief executive officer simultaneously in Mr. WONG is beneficial to the business prospects and management of the Group. The roles of the respective executive directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to a strong and balanced management organisation that enables the Group to operate effectively. The Board currently comprises of 5 Executive Directors, 1 Non-executive Director and 3 Independent Non-executive Directors and therefore has sufficient independent elements in its composition.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 the required standard for securities transactions by Directors. All directors, after specific enquiries made by the Company, confirmed that they have complied with the required standards set out in the Model Code during the year.

## BOARD OF DIRECTORS

The Board is responsible for the formulation of business policies and strategies of the Group, the nomination and appointment of directors, and to ensure the availability of resources as well as the effectiveness of its system of internal control. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various duties and responsibilities as set out in their terms of reference respectively. Each Director shall ensure that he carries out his duty in good faith in compliance with the standard of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

During the year, 4 Board meetings were held and the attendance of each Director is set out below:

| Directors | Number of Attendance |
|---|---|
| **Executive Directors** | |
| Mr. WONG Shik Ho Tony | 4/4 |
| Mr. WONG Fong Pak | 4/4 |
| Mr. LEUNG Wah Kan | 4/4 |
| Mr. HO Nai Nap | 4/4 |
| Mr. MAN Wai Hung | 4/4 |
| **Non-Executive Director** | |
| Mrs. HO WONG Mary Mee-Tak | 4/4 |
| **Independent Non-executive Directors** | |
| Mr. IP Shing Hing | 4/4 |
| Mr. LAI Kin Jerome | 4/4 |
| Mr. CHEUNG Ying Sheung | 4/4 |

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 Listing Rules and considered that the Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Executive Directors has entered into a service contract for a term of 3 years with the Company commencing from 12 January 2012 unless otherwise terminated by either party by giving to the other not less than three months' prior written notice.

Each of the Non-executive Director and the Independent Non-executive Directors has entered into a letter of appointment for a term of 3 years with the Company commencing from 12 January 2012 unless otherwise terminated by either party by giving to the other not less than three months' notice in writing.

In accordance with Article 108 of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation and re-election. Each Director shall retire from office at least once every three years.

In accordance with Article 112 of the Articles of Association, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office until the following general meeting (in the case of filling a causal vacancy) or the next following annual general meeting (in the case of an additional Director) and shall then be eligible for election.

## DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

To ensure that the Directors' contribution to the Board remains informed and relevant and in compliance with provision code A.6.5 of the Code, the Company would arrange and fund suitable continuous professional development for the Directors to participate in order to develop and refresh their knowledge and skills.

During the year ended 31 December 2013, the Company has arranged in-house training conducted by qualified professionals experienced on topics on the roles, functions and duties of the Directors. All the Directors attended such training. The Company maintains continuous professional development records of the Directors.

## BOARD COMMITTEES

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee with terms of reference to assist them in the efficient implementation of their functions.

### Audit Committee

The Company has established the Audit Committee on 21 December 2011 with written terms of reference. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group as well as to provide advice and comments to the Board. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. LAI Kin Jerome (chairman), Mr. IP Shing Hing and Mr. CHEUNG Ying Sheung.

During the year, 4 Audit Committee meetings were held and the attendance of each committee member is set out below:

| Member | Number of Attendance |
|---|---|
| Mr. LAI Kin Jerome | 4/4 |
| Mr. IP Shing Hing | 4/4 |
| Mr. CHEUNG Ying Sheung | 4/4 |

During the meetings held in 2013, the Audit Committee had performed the following major works:

(1) reviewed and approved the remuneration and terms of engagement letter of external auditor regarding the financial statements of the Group for the year ended 31 December 2012 (the "2012 Financial Statements");

(2) reviewed the 2012 Financial Statements and discussed with the external auditor on any findings in relation to the 2012 Financial Statements and audit issues;

(3) reviewed and discussed the findings of the internal control report prepared by Deloitte Touche Tohmatsu; and

(4) reviewed the interim results for the six months ended 30 June 2013 of the Group.

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

# Corporate Governance Report

## Remuneration Committee

The Company has established the Remuneration Committee on 21 December 2011 with written terms of reference. The primary duties of the Remuneration Committee are to make recommendations to our Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies and structure. The Remuneration Committee consists of four members, comprising three Independent Non-executive Directors, namely Mr. IP Shing Hing (chairman), Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung and one Executive Director namely Mr. WONG Shik Ho Tony.

During the year, 2 Remuneration Committee meetings were held and the attendance of each committee member is set out below:

| Member | Number of Attendance |
|---|---|
| Mr. IP Shing Hing | 2/2 |
| Mr. LAI Kin Jerome | 2/2 |
| Mr. CHEUNG Ying Sheung | 2/2 |
| Mr. WONG Shik Ho Tony | 2/2 |

The Remuneration Committee had reviewed and discussed the existing remuneration policy of the Company and the remuneration package of Executive Directors and senior management of the Group.

## Nomination Committee

The Company established the Nomination Committee on 21 December 2011 with written terms of reference. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee consists of four members, comprising three Independent Non-executive Directors, namely Mr. IP Shing Hing (chairman), Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung and one Executive Director namely Mr. WONG Shik Ho Tony.

During the year, 2 Nomination Committee meetings were held and the attendance of each committee member is set out below:

| Member | Number of Attendance |
|---|---|
| Mr. IP Shing Hing | 2/2 |
| Mr. LAI Kin Jerome | 2/2 |
| Mr. CHEUNG Ying Sheung | 2/2 |
| Mr. WONG Shik Ho Tony | 2/2 |

The Nomination Committee had reviewed the structure, size and the composition of the Board in consideration of re-election of retiring Directors in 2013 Annual General Meeting and reviewed the Board Diversity Policy of the Company during the year.

### Board Diversity Policy

During the year under review, the Board adopted a board diversity policy. All Board appointments will continue to be made on meritocracy and selection of candidate will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will review the board diversity policy, as appropriate, to ensure its continued effectiveness from time to time.

## CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing and has performed in compliance with the corporate governance duties as set out in the Code which includes to develop and review the Group's policies and practices on corporate governance, to review and monitor the training and continuous professional development of the Directors and senior management; to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors and to review the Group's compliance with the Code and disclosure in this Corporate Governance Report.

## NON-COMPETITION UNDERTAKING

The Independent Non-executive Directors have reviewed the confirmation given by Mrs. HO WONG Mary Mee-Tak, Classic Venture International Inc. and Perfect Choice Limited, the controlling shareholders of the Company, pursuant to which each of Mrs. HO WONG Mary Mee-Tak, Classic Venture International Inc. and Perfect Choice Limited has confirmed that, for the year ended 31 December 2013, they and their respective associates have not breached any of the terms of undertaking contained in the non-competition deed dated 21 December 2011 as disclosed in the prospectus of the Company dated 29 December 2011.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group in accordance with accounting principles generally accepted in Hong Kong. The statement by the Auditor of the Company about their responsibilities for the financial statements is set out in the Independent Auditor's Report contained in this Annual Report. There are no material uncertainties relating to events or conditions that may cast significant doubt of the Company's ability to continue as a going concern.

## COMPLIANCE ADVISER

In compliance with Rule 3A.19 of the Listing Rules, the Company has appointed WAG Worldsec Corporate Finance Limited as its Compliance Adviser to the Company for the period commencing from 12 January 2012, date of listing, to the date of dispatch of the annual report of the Company containing its financial results for the full year ended 31 December 2013.

## AUDITOR'S REMUNERATION

The remuneration paid and payable for the year ended 31 December 2013 to the Company's external auditor, BDO Limited, is set out as follows:

| Service rendered to the Group | HK$ |
|---|---|
| Audit services | 1,102,500 |
| Non-audit services (Note) | 100,000 |

Note: Non-audit services on agreed-upon procedures on the interim results of the Group and preliminary results announcement.

## INTERNAL CONTROL

The Board has overall responsibility for maintaining an adequate system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of shareholders and the Group's assets. The Board has reviewed the effectiveness of the internal control system of the Group through Audit Committee.

## COMPANY SECRETARY

Ms. LEUNG Sau Fong is the Company Secretary of the Company. Ms. LEUNG is a director of a corporate secretarial services provider in Hong Kong. The primary contact persons of the Company with Ms. LEUNG are Mr. WONG Shik Ho Tony, the Chairman and Chief Executive Officer of the Company and Mr. LAU Ka Lai Gary, the Chief Financial Officer of the Company.

In compliance with Rule 3.29 of the Listing Rules, Ms. LEUNG has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2013.

## SHAREHOLDERS RIGHTS

### Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders of the Company to convene an extraordinary general meeting ("the EGM") of the Company are prepared in accordance with Article 64 of the Articles of Association of the Company:

1. One or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings may, by written requisition to the Board or the Company Secretary of the Company require an EGM to be called by the Board for the transaction of any business specified in such requisition.

2. The EGM shall be held within 2 months after the deposit of such requisition.

3. If the Directors fail to proceed to convene such meeting within 21 days of such deposit of requisition, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

**Procedures for raising enquires**

1. Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are set out in the section of headed "Corporate Information" of this annual report.

2. Shareholders may at any time raise any enquiry in respect of the Company to our investor relation team via email at the email address at ir@pcpartner.com.

3. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

**Procedures and contact details for putting forward proposals at shareholders' meetings**

1. To put forward proposals at the general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information at the Company's principal place of business at 19/F., Shatin Galleria, 18–24 Shan Mei Street, Fo Tan, Shatin, New Territories for the attention of the Board or the Company Secretary of the Company.

2. The identity of the shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a shareholder, the Board will include the Proposal in the agenda for the general meeting.

3. The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholders concerned at the annual general meeting or an EGM varies according to the nature of the Proposal as follows:

   (i) At least 21 clear days' notice (notice period must include 20 business days and excludes the date of the notice and the date of the meeting) in writing if the Proposal constitutes a special resolution of the Company in an EGM or if the Proposal is put forward at an annual general meeting of the Company; or

   (ii) At least 14 clear days' notice (the notice period must include 10 business days and excludes the date of the notice and the date of the meeting) in writing if the Proposal constitutes an ordinary resolution of the Company at an EGM.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Information about the Group has been provided to the shareholders through financial reports and announcements in order to keep shareholders well informed of the business activities and directions of the Group. The Group has also established a corporate website www.pcpartner.com as a channel to facilitate effective communication with the shareholders.

# Directors and Senior Management

## EXECUTIVE DIRECTORS

Mr. WONG Shik Ho Tony, aged 54, was appointed as a Director on 1 April 2010 and re-designated as an *Executive Director and Chief Executive Officer* on 24 January 2011 and was a co-founder of the Group in May 1997. He is also a member of each of the remuneration committee and the nomination committee of the Board. Mr. WONG is responsible for the overall strategic management and corporate development of the Group. He directly oversees the Group's finance and administration functions as well as the sales and marketing functions of the Group's video graphics cards, motherboards, Mini PCs and other PC accessories businesses. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, he worked as a general manager at VTech Computers Limited. Mr. WONG was conferred a Bachelor of Science degree in Electronics & Electrical Engineering by the University of Swansea, South Wales, the United Kingdom in 1982.

Mr. WONG Fong Pak, aged 64, was appointed as a Director on 1 April 2010 and re-designated as an *Executive Director and Executive Vice President* on 24 January 2011 and a co-founder of the Group in May 1997. Mr. WONG is responsible for managing the Group's materials management function and sales and business development function of the Group's EMS business. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, Mr. WONG worked as purchasing manager at VTech Computers Limited.

Mr. LEUNG Wah Kan, aged 55, was appointed as a Director on 1 April 2010 and re-designated as an *Executive Director and Chief Operation Officer* on 24 January 2011 and a co-founder of the Group in May 1997. Mr. LEUNG is responsible for the strategic management of the Group's manufacturing operations in China and the product design and development engineering activities of the Group. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, he worked at VTech Computers Limited for more than 14 years, serving in various capacities from a testing engineer to a general manager. Mr. LEUNG was conferred a Bachelor of Science in Engineering degree in 1981 by the University of Hong Kong.

Mr. HO Nai Nap, aged 58, was appointed as an *Executive Director* on 24 January 2011 and is the founder of ASK Technology Limited ("ASK Technology") in 1989. Mr. HO is now the general manager and managing director of ASK Technology Group Limited, a wholly-owned subsidiary of the Company, and its subsidiaries ("ASK Group"). He is responsible for the general management, including product and sales of ASK Group. He also sits on the boards of various companies within the Group. Before founding ASK Technology, Mr. HO worked for Plantronics Inc., Compression Labs Inc., Texas Instruments Hong Kong Ltd. and Telefunken Electronic Far East Ltd.. Mr. HO was conferred a Bachelor of Science in Electrical and Computer Engineering degree in 1980 and a Master of Science degree in 1982 by the Oregon State University. He is a registered Professional Engineer in Electrical Engineering in California, the United States of America.

Mr. MAN Wai Hung, aged 48, was appointed as an *Executive Director* on 24 January 2011 and is the co-founder of Manli Technology Co. Limited in 1996. Since 2008, Mr. MAN has been the managing director of Manli Technology Group Limited, a wholly-owned subsidiary of the Company and is in charge of functions of sales and marketing, and business development. He was conferred a Bachelor of Arts degree in 1988 by the University of Hong Kong.

## NON-EXECUTIVE DIRECTORS

Mrs. HO WONG Mary Mee-Tak, aged 64, was appointed as a *Non-executive Director* on 24 January 2011. Mrs. HO was the wife of the late Mr. HO Hin Wun Bosco, a co-founder of the Group. Mrs. HO also sits on the boards as non-executive director of other companies within the Group. She completed a three-year program of study in interior design at Ryerson University in 1972.

Mr. CHIU Wing Yui, aged 49, was appointed as an *Alternate Director* to Mrs. HO WONG Mary Mee-Tak on 1 November 2012. Mr. CHIU has been a Non-executive Director of the Company from 24 January 2011 to 31 October 2012. Mr. CHIU is also an alternate director to Mrs. HO WONG Mary Mee-Tak for various companies within the Group. Mr. CHIU was conferred a Bachelor of Science degree in Computer Science in 1993 by the University of Wales, United Kingdom. After graduation, Mr. CHIU worked for B.S.C. Building Materials Supply Company Limited as a system support supervisor. Mr. CHIU was conferred a Bachelor of Chinese Medicine degree in 2008 by the Hong Kong Baptist University. He is now a registered Chinese medicine practitioner.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. IP Shing Hing, aged 58, was appointed as an *Independent Non-executive Director* on 24 January 2011. He is also the chairman of the remuneration committee and the nomination committee of the Board and a member of the audit committee of the Board. Mr. IP was conferred a Bachelor of Laws (Hons.) Degree in 1978 by the University of Hong Kong and a Master of Arts degree in Arbitration and Alternative Dispute Resolution in 2005 by the City University of Hong Kong. He is a solicitor and notary public of Hong Kong, China-appointed Attesting Officer and Justice of the Peace. He has been a practicing solicitor in Hong Kong for more than 20 years. He is currently serving as an independent non-executive director on the board of Far East Hotels and Entertainment Limited and Binhai Investment Company Limited, both being companies listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). He is enthusiastic in community activities, which include serving as the President of The Law Society of Hong Kong (2002–2004), Chairman of the Association of China-Appointed Attesting Officers Limited, a committee member and standing committee member of the Hong Kong Chinese General Chamber of Commerce (since 1988), director of Ocean Park Corporation (March 2006 to February 2012), member of Hong Kong Housing Authority (April 2007 to June 2012) and chairman of Appeal Board (Amusement Game Centres) since 30 May 2010.

Mr. LAI Kin Jerome, aged 65, was appointed as an *Independent Non-executive Director* on 24 January 2011. He is also the chairman of the audit committee of the Board and a member of each of the remuneration committee and the nomination committee of the Board. Mr. LAI graduated in 1974 from the University of Toronto with a Bachelor of Commerce degree and is a member of the Hong Kong Institute of Certified Public Accountants and a chartered accountant of The Institute of Chartered Accountants of Ontario. Mr. LAI has over 30 years of experience in accounting and management. Mr. LAI was a non-executive director of SPG Land (Holdings) Limited between January 2009 to December 2011, a company listed on the Stock Exchange. He also served as chief financial officer and executive director at SPG Land (Holdings) Limited between 2006 and 2008. Mr. LAI was senior vice president of the finance, treasury and administration functional unit of Hong Kong Exchanges and Clearing Limited between 2000 and 2003; and an executive director of the finance and management services division of the Stock Exchange between 1997 and 2000. Mr. LAI is currently an Independent Non-executive Director of Mastercraft International Holdings Limited, a company listed on the Stock Exchange.

# Directors and Senior Management

Mr. CHEUNG Ying Sheung, aged 60, was appointed as an *Independent Non-executive Director* on 24 January 2011. He is also a member of each of the audit committee, the remuneration committee and the nomination committee of the Board. Mr. CHEUNG graduated from Imperial College of Science and Technology, University of London with a Bachelor of Science (Engineering) degree in 1973 and a Doctor of Philosophy degree in 1978. He joined the University of Hong Kong (the "University") in 1980 and is currently Associate Vice-President (Research) and Director of Technology Transfer of the University, as well as professor of Electrical and Electronic Engineering. He has held various other positions at the University, inter alia, the Dean of Faculty of Engineering between 1994 and 2000. He was seconded from the University between 2002 and 2004 to the Hong Kong Government as the Policy Advisor of the Innovation and Technology Commission. He is a chartered IT professional and fellow of the BCS, Chartered Institute for IT, and a senior member of the Institute of Electrical and Electronics Engineers ("IEEE"). He is also a director of the IEEE Foundation.

## SENIOR MANAGEMENT

Mr. LEE Wing Chung, aged 48, is *Executive Director of Manli Technology Group Limited*, responsible for the operational management of Manli Technology Group Limited. Mr. LEE co-founded Manli Technology Co. Limited in 1996 and joined the Group in April 2008. He holds a Bachelor of Science degree from the Hong Kong Baptist College and has over 15 years' general management experience.

Mr. KWONG Kwok Kuen, aged 53, is *Director of Sales — EMEAI Region*, responsible for the Group's sales and marketing of ZOTAC motherboards, video graphics cards and miniPC products in the European, Middle East, Africa and India regions. Mr. KWONG has extensive experience in electronics industry. Prior to joining the Group in January 2005, he served as executive director of Silver Star Technology Limited and as general manager of the Hong Kong office of Norsk Data International Limited. Mr. KWONG graduated with a Higher Certificate in Electronic Engineering from the Hong Kong Polytechnic University.

Mr. CHOW Hon Fat, aged 46, is *Director of Program Management — Graphics*, responsible for account servicing and program management of the Group's video graphics cards ODM/OEM business. Prior to joining the Group in July 1997, Mr. CHOW was a production and material control manager of VTech Computers Limited.

Mr. WONG Man Fai, aged 52, is *Director of Product*, responsible for product marketing of the ZOTAC video graphics cards of the Group. Mr. WONG has over 20 years' experience in the electronic sector and in the product marketing, logistic, purchasing and inventory control functions. He holds a Bachelor of Business (Management) degree from RMIT University, Australia and a Higher Certificate in Purchasing and Supply from Hong Kong Baptist University. He joined the Group in July 2006.

Mr. LIU Ngai Choi, aged 42, is *Director of Sales — APAC Region*, responsible for the Group's sales and marketing of motherboards, video graphics cards and miniPC products in the Asia Pacific region. Mr. Liu has over 15 years of relevant electronics sales experience. Prior to joining the Group in October 2005, he has worked with Ocean Office Automation and Accuracy Information Technology.

Mr. YANG Ho Ching, aged 49, is *General Manager*, responsible for the Group's video graphics cards, motherboard and miniPC manufacturing operations in Dongguan. He joined the Group in November 2013. Mr. Yang has more than 25 years' experience in electronic engineering and computer manufacturing in Taiwan and China. Prior to joining the Group, he has held various quality and manufacturing management positions at Taiwan Micro-Star International, Brainpower Technology and GVC Corporation etc.

Mr. LAM Kwok Ling, aged 57, is *General Manager*, responsible for the Group's EMS manufacturing operations in China. He joined the Group in December 2011. Mr. LAM has more than 20 years' experience in the electronics and EMS industry. Prior to joining the Group, he has worked for Sanmina-SCI (China) Ltd., Philips Electronics Hong Kong Ltd., Wong's Electronics Co., Ltd., Maxtor (HK) Ltd., MiniScribe (HK) Ltd., Herald Datanetics Ltd., Mattel Electronics (HK) Ltd., Atlas Electronics Co., Ltd., Chen Hsong Machinery Co., Ltd., etc. in various senior operation, QA and engineering management positions. Mr. LAM holds a Higher Diploma in Production & Industrial Engineering from the Hong Kong Polytechnic and a Bachelor of Science degree from the Open University of Hong Kong.

Mr. LAI Shui Wah, aged 60, is *General Manager*, responsible for the Group's Tian Pei manufacturing operation in China. He joined the Group in September 1997. Mr. LAI has more than 20 years' experience in the electronics and computer industry. Prior to joining the Group in 1997, he has worked for VTech Computers Limited, Fairchild Semiconductor (Hong Kong) Limited, Digital Equipment International Limited and Ampex Ferrotec Limited. Mr. LAI holds a Higher Certificate in Mechanical Engineering from the Hong Kong Polytechnic.

Mr. HUANG Chia Pao, aged 48, is *Director of Product*, responsible for the product development of motherboard and miniPC businesses of the Group. Mr. HUANG joined the Group in August 2009. Prior to that, he held various product development and management positions in computer hardware companies such as Abit Computer Corp., DFI San Jose and OCZ Technology Group, Inc. in Taiwan and the USA. Mr. HUANG holds a Bachelor of Business Administration degree from the National Chung Hsing University in Taiwan.

Mr. WONG Chi Wah, aged 55, is *Chief Human Resources and Administration Officer*, responsible for the Group's human resources and general administration functions. Before joining the Group in September 2007, Mr. WONG has worked for Motorola Semiconductors Hong Kong Limited, Elec & Eltek Company Limited and the Wharf (Holdings) Limited. He holds a Bachelor of Social Science degree from the Chinese University of Hong Kong and a Master of Science degree in Engineering Business Management from the University of Warwick in the UK.

Mr. LAU Ka Lai Gary, aged 44, is *Chief Financial Officer*, responsible for overall financial, accounting, legal and MIS functions of the Group. He is also the President of Zotac USA Inc., a wholly owned subsidiary of the Group in the USA. Mr. LAU joined the Group in October 2010. He is a member of American Institute of Certified Public Accountants. Mr. LAU graduated from the University of Windsor, Canada, with a Bachelor of Commerce degree and the University of Western Ontario, Canada, with a Bachelor of Science degree. He also holds a Master of Business Administration degree and a Master in Business Systems degree from the University of Manchester and the Monash University respectively. Prior to joining the Group, he has worked for Rolex (Hong Kong) Limited, Johnson Electric International Limited, Linyi Shansong Biological Products Company Limited, Oracle Systems Hong Kong Limited, e2e Business Solutions Limited and Deloitte Touche Tohmatsu.

# Report of the Directors

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2013.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in the design, development and manufacturing of video graphics cards for desktop PCs, electronics manufacturing service, and manufacturing and trading in other PC related products and components.

An analysis of the Group's turnover and segment information is set out in note 6 to the consolidated financial statements.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of comprehensive income on page 35 of this report.

The Board recommends the payment of a final dividend of HK$0.04 per share to shareholders whose names appear on the register of members of the Company at the close of business on 25 June 2014 (Wednesday).

## SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 29 to the consolidated financial statements.

## RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in page 39 and note 30 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2013 amounted to approximately HK$633.5 million.

## DONATIONS

No charitable and other donations made by the Group during the year.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 17 to the consolidated financial statements.

## INFORMATION ON SUBSIDIARIES

Particulars of the subsidiaries are set out in note 38 to the consolidated financial statements.

## FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the consolidated results, assets and liabilities of the Group for each of the five years ended 31 December 2013.

| | 2013<br>HK$'000 | 2012<br>HK$'000 | 2011<br>HK$'000 | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|---|---|---|
| **RESULTS** | | | | | |
| Turnover | **4,803,097** | 5,175,674 | 5,969,166 | 5,585,382 | 4,709,202 |
| Profit before income tax | **85,955** | 63,557 | 81,902 | 133,106 | 115,533 |
| Income tax expense | **(12,810)** | (11,303) | (9,223) | (15,738) | (14,880) |
| Profit for the year | **73,145** | 52,254 | 72,679 | 117,368 | 100,653 |
| Attributable to: | | | | | |
| Owners of the Company | **73,145** | 52,254 | 70,213 | 110,295 | 88,827 |
| Non-controlling interests | **—** | — | 2,466 | 7,073 | 11,826 |
| | **73,145** | 52,254 | 72,679 | 117,368 | 100,653 |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | **2,492,343** | 2,275,576 | 2,548,498 | 2,706,782 | 2,282,623 |
| Total liabilities | **1,710,700** | (1,547,570) | (1,971,417) | (2,136,402) | (1,789,352) |
| Total equity | **781,643** | 728,006 | 577,081 | 570,380 | 493,271 |

## PRE-EMPTIVE RIGHTS

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

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

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year.

## SHARE OPTION SCHEME

On 14 December 2011, the shareholders of the Company approved and adopted a pre-IPO share option scheme. Particulars of the pre-IPO share option scheme of the Company are set out in note 32 to the consolidated financial statements.

# Report of the Directors

## DIRECTORS

The Directors during the year and as at the date of this report are:

**Executive Directors:**

Mr. WONG Shik Ho Tony
Mr. WONG Fong Pak
Mr. LEUNG Wah Kan
Mr. HO Nai Nap
Mr. MAN Wai Hung

**Non-executive Director:**

Mrs. HO WONG Mary Mee-Tak
Mr. CHIU Wing Yui
(Alternative Director to Mrs. HO WONG Mary Mee-Tak)

**Independent Non-executive Directors:**

Mr. IP Shing Hing
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung

In accordance with Article 108 of the Articles of Association, Mr. Ho Nai Nap, Mr. Lai Kin Jerome and Mr. Cheung Ying Sheung will retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received annual confirmation of independence from each of the three Independent Non-executive Directors, Mr. IP Shing Hing, Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung that they have met all the factors concerning their independence as set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and that there is no other factor which may affect their independence. The Company's board of directors (the "Board") considers these Independent Non-executive Directors to be independent.

## DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 34 to the consolidated financial statements, no contracts of significance to which the Company, any of its holding companies or fellow subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at end of the year or at any time during the year.

## DIRECTORS SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years commencing from 12 January 2012 unless terminated by either the Company or the Director giving to the other party not less than 3 months' prior written notice and is subject to retirement by rotation and re-election at the annual general meeting. Under the agreements, the Executive Directors will receive a fixed monthly salary. The Executive Directors will also receive a year end bonus and a discretionary performance bonus and discretionary profit-sharing bonus under the agreements.

Each of Non-executive Directors and Independent Non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 12 January 2012 unless terminated by either the Company or the Director giving to the other party not less than 3 months' prior written notice and is subject to retirement by rotation and re-election at the annual general meeting.

Apart from the above, none of the Directors offering themselves for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

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

As at the date of this report, the interests and short positions of each Director and chief executive of the Company in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, were as follows:

### Long Positions in Shares

| Name of Director | Type of interest | Number of Shares held | Percentage of shareholding |
|---|---|---|---|
| Mrs. HO WONG Mary Mee-Tak | Beneficial owner | 400,000 | 0.09% |
| | Interest in controlled corporations (Note) | 132,350,000 | 31.70% |
| Mr. WONG Shik Ho Tony | Beneficial owner | 51,560,750 | 12.35% |
| Mr. WONG Fong Pak | Beneficial owner | 26,915,750 | 6.45% |
| Mr. LEUNG Wah Kan | Beneficial owner | 21,250,500 | 5.09% |
| Mr. HO Nai Nap | Beneficial owner | 19,984,538 | 4.79% |
| Mr. MAN Wai Hung | Beneficial owner | 3,677,065 | 0.88% |

Note: These 132,350,000 Shares are owned as to 54,850,000 Shares by Classic Venture International Inc. and 77,500,000 Shares by Perfect Choice Limited. As the entire issued share capital of both Classic Venture International Inc. and Perfect Choice Limited are owned by Mrs. HO WONG Mary Mee-Tak, Mrs. HO WONG Mary Mee-Tak is deemed to be interested in these 132,350,000 Shares under the SFO.

**Long Positions in Share Options of the Company**

| Name of Director | Date of grant | Number of underlying shares | Percentage of shareholding |
|---|---|---|---|
| Mr. WONG Shik Ho Tony | 14 December 2011 | 4,290,000 | 1.03% |
| Mr. WONG Fong Pak | 14 December 2011 | 3,300,000 | 0.79% |
| Mr. LEUNG Wah Kan | 14 December 2011 | 3,300,000 | 0.79% |
| Mr. HO Nai Nap | 14 December 2011 | 1,200,000 | 0.29% |
| Mr. MAN Wai Hung | 14 December 2011 | 1,200,000 | 0.29% |

## DIRECTORS RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the following parties with interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

**Interest in the Company**

| Name | Long/Short position | Type of interest | Number of Shares held | Percentage of shareholding |
|---|---|---|---|---|
| Perfect Choice Limited | Long position | Beneficial owner | 77,500,000 | 18.56% (Note 1) |
| Classic Venture International Inc. | Long position | Beneficial owner | 54,850,000 | 13.14% (Note 1) |
| Mr. WONG Shik Ho Tony | Long position | Beneficial owner | 51,560,750 | 12.35% |
| Mr. WONG Fong Pak | Long position | Beneficial owner | 26,915,750 | 6.45% |
| S.A.S. Investment Company Limited ("SAS Investment") | Long position | Beneficial owner | 25,304,000 | 6.06% (Note 2) |
| S.A.S. Dragon Holdings Limited ("SAS Holdings") | Long position | Through controlled corporation | 25,304,000 | 6.06% (Note 2) |
| Mr. Daniel KEARNEY | Long position | Beneficial owner | 22,001,000 | 5.26% |
| Mr. LEUNG Wah Kan | Long position | Beneficial owner | 21,250,500 | 5.09% |

Note 1: As the entire issued share capital of both Classic Venture International Inc. and Perfect Choice Limited are owned by Mrs. HO WONG Mary Mee-Tak, Mrs. HO WONG Mary Mee-Tak is deemed to be interested in the 132,350,000 Shares in aggregate held by Classic Venture International Inc. and Perfect Choice Limited under the SFO.

Note 2: SAS Investment is wholly-owned by SAS Holdings which is a company listed on the Stock Exchange. Hence, SAS Holdings is also deemed to be interested in 25,304,000 Shares held by SAS Investment under the SFO.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases attributable to the Group's largest customers and suppliers are as follows:

| | **2013** | 2012 |
|---|---|---|
| | **%** | % |
| Sales | | |
| — the largest customer | **11%** | 11% |
| — five largest customers combined | **32%** | 37% |
| Purchases | | |
| — the largest supplier | **38%** | 35% |
| — five largest suppliers combined | **50%** | 45% |

During the year, none of the Directors, their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the share capital of the Company) had any interest in any of the Group's five largest customers or suppliers.

## CONNECTED TRANSACTIONS

During the year, there is no connected transaction of the Group that required for the reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

## CORPORATE GOVERNANCE

The corporate governance report is set out on pages 15 to 21 of this report.

## AUDITOR

The financial statements for the year ended 31 December 2013 have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD
**WONG Shik Ho Tony**
*Chairman*

Hong Kong
31 March 2014

# Independent Auditor's Report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**TO THE SHAREHOLDERS OF PC PARTNER GROUP LIMITED**
**(栢能集團有限公司)**
*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of PC Partner Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 35 to 101, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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

# Independent Auditor's Report

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 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 prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**BDO Limited**
Certified Public Accountants

**Chan Kam Wing, Clement**
Practising Certificate Number P02038

Hong Kong, 31 March 2014

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

| | Notes | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|---|
| Turnover | 6, 7 | **4,803,097** | 5,175,674 |
| Cost of sales | | **(4,324,676)** | (4,714,677) |
| Gross profit | | **478,421** | 460,997 |
| Other revenue and other gains and losses | 8 | **10,185** | 14,881 |
| Selling and distribution expenses | | **(95,536)** | (99,909) |
| Administrative expenses | | **(296,324)** | (297,838) |
| Listing expenses | | **—** | (720) |
| Finance costs | 9 | **(10,791)** | (13,854) |
| Profit before income tax | 10 | **85,955** | 63,557 |
| Income tax expense | 11 | **(12,810)** | (11,303) |
| **Profit for the year** | | **73,145** | 52,254 |
| **Other comprehensive income, after tax, that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translating foreign operations | | **106** | 507 |
| **Total comprehensive income for the year** | | **73,251** | 52,761 |
| | | **HK$** | HK$ |
| Earnings per share | 16 | | |
| — Basic | | **0.18** | 0.13 |
| — Diluted | | **0.18** | 0.13 |

# Consolidated Statement of Financial Position

As at 31 December 2013

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 17 | **63,845** | 90,361 |
| Intangible assets | 18 | **7,272** | 7,990 |
| Other financial assets | 20 | **20,992** | 20,992 |
| Deferred tax assets | 23 | **1,790** | 1,762 |
| Total non-current assets | | **93,899** | 121,105 |
| **Current assets** | | | |
| Inventories | 24 | **854,314** | 697,921 |
| Trade and other receivables | 21 | **854,043** | 851,997 |
| Derivative financial assets | 22 | **—** | 1,308 |
| Current tax recoverable | | **805** | 344 |
| Pledged time deposits | | **310** | 310 |
| Cash and cash equivalents | 25 | **688,972** | 602,591 |
| Total current assets | | **2,398,444** | 2,154,471 |
| Total assets | | **2,492,343** | 2,275,576 |
| **Current liabilities** | | | |
| Trade and other payables | 26 | **869,597** | 713,594 |
| Borrowings | 27 | **823,111** | 821,539 |
| Provisions | 28 | **7,032** | 6,228 |
| Obligations under finance leases | | **15** | 16 |
| Derivative financial liabilities | 22 | **2,391** | 3 |
| Current tax liabilities | | **8,447** | 6,148 |
| Total current liabilities | | **1,710,593** | 1,547,528 |
| **Net current assets** | | **687,851** | 606,943 |
| **Total assets less current liabilities** | | **781,750** | 728,048 |

# Consolidated Statement of Financial Position

As at 31 December 2013

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Obligations under finance leases | | **27** | 42 |
| Deferred tax liabilities | 23 | **80** | — |
| Total non-current liabilities | | **107** | 42 |
| **NET ASSETS** | | **781,643** | 728,006 |
| **Capital and reserves** | | | |
| Share capital | 29 | **41,752** | 41,752 |
| Reserves | | **739,891** | 686,254 |
| **TOTAL EQUITY** | | **781,643** | 728,006 |

On behalf of the Board

Director

Director

# Statement of Financial Position

As at 31 December 2013

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in a subsidiary | 19 | 528,830 | 528,830 |
| **Current assets** | | | |
| Prepayments and other receivables | | 457 | 849 |
| Amounts due from subsidiaries | 19 | 69,299 | 22,991 |
| Cash and cash equivalents | | 87,411 | 123,736 |
| Total current assets | | 157,167 | 147,576 |
| **Current liabilities** | | | |
| Accruals | | 8,687 | 4,959 |
| Amount due to a subsidiary | 19 | 2,024 | 1,824 |
| Total current liabilities | | 10,711 | 6,783 |
| Net current assets | | 146,456 | 140,793 |
| **NET ASSETS** | | 675,286 | 669,623 |
| **Capital and reserves** | | | |
| Share capital | 29 | 41,752 | 41,752 |
| Reserves | 30 | 633,534 | 627,871 |
| **TOTAL EQUITY** | | 675,286 | 669,623 |

On behalf of the Board

Director

Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

| | Share capital | Share premium (Note (a)) | Translation reserve | Merger reserve (Note (b)) | Other reserve (Note (c)) | Legal reserve (Note (d)) | Share-based payment reserve | Retained profits | Total |
|---|---|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 January 2012 | 33,052 | — | (25) | 6,702 | 21,771 | 190 | 593 | 514,798 | 577,081 |
| Profit for the year | — | — | — | — | — | — | — | 52,254 | 52,254 |
| Other comprehensive income | | | | | | | | | |
| — exchange difference on translating foreign operations | — | — | 507 | — | — | — | — | — | 507 |
| Total comprehensive income | — | — | 507 | — | — | — | — | 52,254 | 52,761 |
| Issuance of shares (Note 29) | 8,700 | 130,500 | — | — | — | — | — | — | 139,200 |
| Share issue expenses | — | (11,169) | — | — | — | — | — | — | (11,169) |
| Dividends paid (Note 15) | — | — | — | — | — | — | — | (41,752) | (41,752) |
| Equity settled share-based transactions (Note 32) | — | — | — | — | — | — | 11,885 | — | 11,885 |
| Transfer to legal reserve | — | — | — | — | — | 938 | — | (938) | — |
| At 31 December 2012 and 1 January 2013 | 41,752 | 119,331 | 482 | 6,702 | 21,771 | 1,128 | 12,478 | 524,362 | 728,006 |
| Profit for the year | — | — | — | — | — | — | — | 73,145 | 73,145 |
| Other comprehensive income | | | | | | | | | |
| — exchange difference on translating foreign operations | — | — | 106 | — | — | — | — | — | 106 |
| Total comprehensive income | — | — | 106 | — | — | — | — | 73,145 | 73,251 |
| Dividends paid (Note 15) | — | — | — | — | — | — | — | (22,964) | (22,964) |
| Equity settled share-based transactions (Note 32) | — | — | — | — | — | — | 3,350 | — | 3,350 |
| Transfer to legal reserve | — | — | — | — | — | 836 | — | (836) | — |
| At 31 December 2013 | 41,752 | 119,331 | 588 | 6,702 | 21,771 | 1,964 | 15,828 | 573,707 | 781,643 |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

Notes:

(a) Share premium represents premium arising from the issue of shares at a price in excess of their par value per share in 2012. Under the Companies Law of the Cayman Islands, the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) Merger reserve represents the difference between the share capital of the Company and the combined share capital and share premium of the subsidiaries (after eliminating intra-group investments and share capital) acquired by the Company pursuant to the reorganisation underwent in December 2011.

(c) Other reserve represents the excess of the fair value of shares issued as consideration for acquisition of the additional interests of the subsidiaries from their non-controlling shareholders pursuant to the reorganisation over their nominal values.

(d) Legal reserve included (i) reserve made by a subsidiary established in Macau under the Macau Commercial Code which requires the subsidiary to retain not less than 25% of profits of the accounting period as legal reserve, until such reserve reaches 50% of the capital of this entity; and (ii) reserve made by the Group's subsidiaries established in the People's Republic of China (the "PRC") pursuant to the PRC Company Law and the respective articles of association which require the PRC subsidiaries to appropriate 10% of its annual statutory net profit (determined in accordance with the PRC accounting principles and regulations and after offsetting any prior years' losses) to the statutory reserve fund until such reserve fund reaches 50% of the share capital of these entities. The statutory reserve fund can be utilised to offset prior years' losses or to increase capital. However, except for offsetting prior years' losses, such reserve fund must be maintained at a minimum of 25% of share capital after usage.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2013

| | Note | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before income tax | | 85,955 | 63,557 |
| Adjustments for: | | | |
| Depreciation | | 35,927 | 34,753 |
| Amortisation of intangible assets | | 718 | 1,800 |
| Interest income | | (2,860) | (2,681) |
| Net fair value gain on settlement of derivative financial instruments | | (1,449) | (2,848) |
| Interest expense | | 10,791 | 13,854 |
| Gain on disposal of property, plant and equipment | | (458) | — |
| Property, plant and equipment written off | | 459 | 12 |
| Provision for impairment losses in trade receivables | | 2,023 | 870 |
| Share-based payment expenses | | 3,350 | 11,885 |
| Provision for obsolete inventories | | 13,981 | 11,571 |
| Operating profit before working capital changes | | 148,437 | 132,773 |
| Inventories | | (170,387) | 90,003 |
| Trade and other receivables | | (4,076) | 26,685 |
| Trade and other payables | | 156,002 | (432,655) |
| Import loans | | 19,907 | 49,404 |
| Provision for product warranties and returns | | 797 | (1,666) |
| Amount due from a shareholder | | — | 3,800 |
| Cash generated from/(used in) operations | | 150,680 | (131,656) |
| Interest paid | | (10,791) | (13,854) |
| Income tax paid | | (10,948) | (7,392) |
| **Net cash generated from/(used in) operating activities** | | 128,941 | (152,902) |
| **Investing activities** | | | |
| Decrease in pledged time deposits | | — | 6,819 |
| Payments to acquire property, plant and equipment | | (9,867) | (17,135) |
| Proceeds from disposal of property, plant and equipment | | 458 | — |
| Acquisition of a subsidiary, net of cash acquired | | — | (1,589) |
| Interest received | | 2,860 | 2,681 |
| Net cash receipt on settlement of derivative financial instruments | | 5,145 | 2,048 |
| **Net cash used in investing activities** | | (1,404) | (7,176) |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2013

| | Note | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Proceeds from issue of ordinary shares, net of related expenses | | – | 128,031 |
| Dividend paid to owners of the Company | | (22,964) | (41,752) |
| Repayment of bank loans | | (24,246) | (34,011) |
| Proceeds from discounted bills and factoring loans | | 53,970 | 51,759 |
| Repayment of discounted bills and factoring loans | | (48,059) | (59,250) |
| Repayment of obligations under finance leases | | (16) | (16) |
| **Net cash (used in)/generated from financing activities** | | (41,315) | 44,761 |
| **Net increase/(decrease) in cash and cash equivalents** | | 86,222 | (115,317) |
| **Cash and cash equivalents at beginning of year** | | 602,591 | 717,396 |
| **Effect of exchange rate changes on cash and cash equivalents** | | 159 | 512 |
| Cash and cash equivalents at end of year | 25 | 688,972 | 602,591 |

## 1. GENERAL INFORMATION

PC Partner Group Limited (the "Company") was incorporated in the Cayman Islands on 1 April 2010 with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company and its subsidiaries (referred to as the "Group") are engaged in business of design and manufacturing of electronics and personal computer parts and accessories with its operation base in the mainland China and trading of electronics and personal computer parts and accessories with its operation base in Hong Kong, Macau, Korea and the United States of America.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

### (a) Adoption of new/revised HKFRSs — effective 1 January 2013

The Group has adopted the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2013.

| | |
|---|---|
| HKFRSs (Amendments) | Annual Improvements 2009–2011 Cycle |
| HKFRSs (Amendments) | Annual Improvements 2010–2012 Cycle |
| Amendments to HKAS 1 (Revised) | Presentation of Items of Other Comprehensive Income |
| Amendments to HKFRS 7 | Disclosures — Offsetting Financial Assets and Financial Liabilities |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| HKAS 27 (2011) | Separate Financial Statements |
| HKAS 19 (2011) | Employee Benefits |

The adoption of the new/revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements.

*HKFRSs (Amendments) — Annual Improvements 2009–2011 Cycle*

HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or reclassification has a material effect on the information presented in the opening position. Further, this opening statement of financial position does not have to be accompanied by comparative information in the related notes. This is consistent with the Group's existing accounting policy.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

### (a) Adoption of new/revised HKFRSs — effective 1 January 2013 (continued)

*HKFRSs (Amendments) — Annual Improvements 2010–2012 Cycle*

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

*Amendments to HKAS1 (Revised) — Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 December 2013. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of profit or loss and other comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

*Amendments to HKFRS 7 — Disclosures — Offsetting Financial Assets and Financial Liabilities*

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

The adoption of the amendments has no impact on these financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

### (a) Adoption of new/revised HKFRSs — effective 1 January 2013 (continued)

*HKFRS 10 — Consolidated Financial Statements*

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest (see note 4(b)).

The adoption of HKFRS 10 has no impact on these financial statements as the Group does not have investments holding less than 50% voting rights.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

### (a) Adoption of new/revised HKFRSs — effective 1 January 2013 (continued)

*HKFRS 12 — Disclosure of Interests in Other Entities*

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 12 disclosures are provided in notes 19 and 38. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

*HKFRS 13 — Fair Value Measurement*

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as 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 (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 does not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements and these are included in notes 22 and 37. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

### (a) Adoption of new/revised HKFRSs — effective 1 January 2013 (continued)

*HKAS 19 (2011) — Employee Benefits*

The revised standard distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs.

The Group has amended its accounting policies for short-term employee benefits and termination benefits, however the adoption of the revised standard has no effect on the Group's financial position or performance.

### (b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's operations, have been issued, but are not yet effective and have not been early adopted by the Group.

| | |
|---|---|
| Amendments to HKAS 32 | Presentation — Offsetting Financial Assets and Financial Liabilities[1] |
| HKFRS 9 | Financial Instruments[2] |

Notes:

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

2 No mandatory effective date yet determined but is available for adoption

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

### (b) New/revised HKFRSs that have been issued but are not yet effective (continued)

*Amendments to HKAS 32 — Presentation — Offsetting Financial Assets and Financial Liabilities*

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

*HKFRS 9 — Financial Instruments*

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

### (b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

### (c) Functional and presentation currency

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

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Business combination and basis of consolidation (continued)

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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

When the Group loses control of a subsidiary, the profit or loss on disposal 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 interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Subsidiary

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any. The result of subsidiary is accounted for by the Company on the basis of dividend received and receivable.

### (c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Property, plant and equipment (continued)

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

| | |
|---|---|
| Leasehold land and buildings | 50 years |
| Leasehold improvements | Over the remaining lease terms |
| Plant and machinery | 2 to 5 years |
| Office and testing equipment | 2 to 5 years |
| Furniture and fixtures | 2 to 5 years |
| Motor vehicles | 3 years |
| Moulds | 2 years |

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

### (d) Intangible assets

#### *(i) Acquired intangible assets*

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives as follows:

| | |
|---|---|
| Non-contractual customer lists and relationship | 5 years |

The amortisation expense is recognised in profit or loss and included in administrative expenses. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

#### *(ii) Impairment*

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Intangible assets (continued)

#### *(ii) Impairment (continued)*

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (Note 4(l)).

*Research and development expenditure*

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

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

— the technical feasibility of completing the intangible asset so that it will be available for use or sale;

— the intention to complete the intangible asset and use or sell it;

— the ability to use or sell the intangible asset;

— how the intangible asset will generate probable future economic benefits;

— the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

— the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Leasing

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

*The Group as lessee*

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

### (f) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to completion and estimated costs necessary to make the sale.

### (g) Financial instruments

#### *(i) Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial instruments (continued)

#### *(i) Financial assets (continued)*

*Financial assets at fair value through profit or loss*

These assets include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

*Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

*Available-for-sale financial assets*

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

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, they are measured at cost less any identified impairment losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial instruments (continued)

#### *(ii) Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

*For loans and receivables*

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*For available-for-sale financial assets*

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial instruments (continued)

#### *(iii) Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

*Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and other payables, obligation under finance leases, provisions and borrowings by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

#### *(iv) Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### *(v) Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial instruments (continued)

#### *(vi) Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39 Financial Instruments: Recognition and Measurement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

### (h) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Service income is recognised when services are provided.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Dividend income is recognised when the right to receive the dividend is established.

### (i) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Income taxes (continued)

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

### (j) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which the entity operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. 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 arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

On preparing consolidated financial statements, the results of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising on the translation are recognised directly in other comprehensive income and accumulated as foreign exchange reserve within equity. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to the translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in the translation reserve.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Employee benefits

*(i) Short term employee benefits*

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

*(ii) Defined contribution retirement plan*

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

*(iii) Pension obligations*

For employees in Hong Kong, the Group participates in a master trust scheme provided by an independent Mandatory Provident Fund ("MPF") service provider to comply with the requirements under the MPF Scheme Ordinance. Contributions paid and payable by the Group to the scheme are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

For employees in the People's Republic of China (the "PRC"), the Group contributes to state-sponsored retirement plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

*(iv) Termination benefits*

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

### (l) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets with finite useful lives; and
- investment in a subsidiary

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Impairment of other assets (continued)

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

### (m) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

### (n) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

### (p) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a); or
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Related parties (continued)

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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

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

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

The key sources of estimation uncertainty are discussed below.

### Impairment of property, plant and equipment

The Group tests annually whether property, plant and equipment have suffered any impairment. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

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

### Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore affect the depreciation and amortisation charges in future periods.

### Impairment of available-for-sale investments

The Group determines at each reporting date whether there is any objective evidence that the available-for-sale investments are impaired. In performing its review, the Group considers the profitability and financial position of the investments and economic outlooks relating to those investments. If such indication exists, the amount of the impairment loss is measured as the difference between the carrying amount of available-for-sale investments and the present value of estimated future cash flows, discounted at the current market rate of return for a similar investment. If the economic outlooks of the investments were to deteriorate, resulting in an impairment of the investments, the carrying value of those investments may be required to be impaired as of the end of reporting period. On the above basis, the directors of the Company are of the view that no impairment of investments is required.

### Provision for obsolete inventories

Management estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the expectation on the net realisable value is lower than the cost, an impairment may arise.

### Impairment of trade receivables

Recoverability of the trade receivable are reviewed by management based on the receivables' aging characteristics, management evaluation of the current creditworthiness and past collection history of each customer. Judgment is required in assessing the ultimate realisation of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

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

### Warranty and returns provisions

As explained in note 28, the Group makes provisions under the warranties and returns it gives on sale of its electrical products taking into account the Group's cumulative past claim experience. As the Group is continually upgrading its product designs and launching new models, it is possible that the cumulative past claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

### Impairment of intangible assets

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which the intangible asset has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

## 6. SEGMENT REPORTING

### (a) Reportable segments

The Group determines its operating segments based on the regional reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group principally operates in one business segment, which is the design, manufacture and sale of electronics and personal computer parts and accessories.

### (b) Geographical information

*(i) Turnover*

An analysis by the Group's turnover by geographical location is as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Asia Pacific ("APAC") | **2,138,330** | 2,071,250 |
| North and Latin America ("NALA") | **691,025** | 629,891 |
| PRC | **1,005,013** | 943,066 |
| Europe, Middle East, Africa and India ("EMEAI") | **968,729** | 1,531,467 |
| | **4,803,097** | 5,175,674 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 6. SEGMENT REPORTING (CONTINUED)

### (b) Geographical information (continued)

*(ii) Specified non-current assets*

An analysis of the Group's non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("specified non-current assets") is as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| APAC | **10,783** | 11,393 |
| NALA | **219** | 242 |
| PRC | **60,100** | 86,585 |
| EMEAI | **15** | 131 |
| | **71,117** | 98,351 |

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

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

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Video graphics cards | **3,347,666** | 3,247,078 |
| Electronics manufacturing services | **1,024,644** | 1,271,219 |
| Other PC related products and components | **430,787** | 657,377 |
| | **4,803,097** | 5,175,674 |

### (d) Information about major customers

Revenue from customers of the corresponding periods contributing 10% or more of the Group's revenue is as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Customer A (Note a) | **N/A** | 550,256 |
| Customer B (Note b) | **518,731** | N/A |

## 6. SEGMENT REPORTING (CONTINUED)

### (d) Information about major customers (continued)

Notes:

(a) Revenue from this customer was derived mainly from sales of video graphics cards in the PRC. Its revenue in 2013 did not contribute 10% or more of the Group's revenue.

(b) Revenue from this customer was derived from rendering of electronics manufacturing services in the APAC region. Its revenue in 2012 does not contribute 10% or more of the Group's revenue.

## 7. TURNOVER

Turnover represents the net invoiced value of goods sold and service income earned by the Group.

## 8. OTHER REVENUE AND OTHER GAINS AND LOSSES

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Interest income | **2,860** | 2,681 |
| Net exchange gains | **1,288** | 6,164 |
| Net fair value (losses)/gains on derivative financial instruments | **(3,695)** | 800 |
| Net gain on settlement of derivative financial instruments | **5,145** | 2,048 |
| Gain on disposal of property, plant and equipment | **458** | — |
| Sundry income | **4,129** | 3,188 |
| | **10,185** | 14,881 |

## 9. FINANCE COSTS

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Interest on bank advances and other borrowings wholly repayable within five years | **10,791** | 13,854 |

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

### 10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Inventories recognised as expense | 4,297,323 | 4,703,106 |
| Provision for obsolete inventories | 27,353 | 11,571 |
| Cost of sales | 4,324,676 | 4,714,677 |
| Staff costs (Note 12) | 361,173 | 357,249 |
| Auditor's remuneration | 1,614 | 1,545 |
| Depreciation of property, plant and equipment | 35,927 | 34,753 |
| Amortisation of intangible assets | 718 | 1,800 |
| Provision for impairment losses on trade and other receivables | 2,023 | 870 |
| Operating lease payments on plant and machinery | 240 | 282 |
| Operating lease payments on premises | 30,362 | 30,346 |
| Property, plant and equipment written off | 459 | 12 |
| Net provision/(reversal) for product warranties and returns (Note 28) | 1,517 | (770) |
| Research and development expenditure (Note) | 30,214 | 27,322 |

Note:

The research and development expenditure for the year includes HK$30,214,000 (2012: HK$27,322,000) relating to depreciation of plant and machinery and office equipment and employee benefits expense for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

## 11. INCOME TAX EXPENSE

**(a) The amounts of income tax expense in the consolidated statement of comprehensive income represent:**

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Current tax — Hong Kong | | |
| — provision for the year | 10,038 | 8,208 |
| — under provision in respect of prior year | 48 | 3 |
| Current tax — PRC | | |
| — provision for the year | 2,038 | 2,232 |
| — under provision in respect of prior year | 5 | 256 |
| Current tax — Korea and Europe | | |
| — provision for the year | 611 | 503 |
| — under provision in respect of prior year | 18 | 4 |
| | 12,758 | 11,206 |
| Deferred tax | | |
| — origination and reversal of temporary differences (Note 23) | 52 | 97 |
| Income tax expense | 12,810 | 11,303 |

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

The Group's Macau subsidiary is exempted from Macau Complimentary Tax pursuant to Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999.

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the year ended 31 December 2013. A significant subsidiary of the Group, PC Partner Limited, is exempted under Departmental Interpretation and Practice Notes No.21 issued by the Inland Revenue Department of Hong Kong in respect of claiming 50% of all of its manufacturing profits as offshore in nature and non-taxable.

The Group's wholly owned subsidiary located in the PRC, 東莞栢能電子科技有限公司 successfully obtained the "High Technology Enterprise" status during last year and the applicable PRC enterprise income tax rate for the year is 15% (2012: 15%). Other PRC subsidiaries of the Group are subject to PRC enterprise income tax at a statutory rate of 25% (2012: 25%) on the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended 31 December 2013.

Other overseas tax is calculated at the rates applicable in the respective jurisdictions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 11. INCOME TAX EXPENSE (CONTINUED)

(b) **The income tax expense for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:**

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Profit before income tax | **85,955** | 63,557 |
| Tax on profit before income tax, calculated at Hong Kong profits tax rate | **14,183** | 10,487 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(54)** | (1,446) |
| Effect of tax exemption granted to a subsidiary | **2,028** | (1,563) |
| Tax effect of non-taxable net income relating to offshore operation | **(8,594)** | (7,698) |
| Tax effect of expenses not deductible for tax purposes | **8,154** | 8,101 |
| Tax effect of revenue not taxable for tax purposes | **(5,746)** | (259) |
| Tax effect of tax losses and deductible temporary differences not recognised | **2,010** | 3,087 |
| Under provision in prior year | **71** | 263 |
| Tax rebate | **(50)** | (50) |
| Others | **808** | 381 |
| Income tax expense | **12,810** | 11,303 |

## 12. STAFF COSTS

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Staff costs (including directors' emoluments) comprise: | | |
| Wages and salaries | **327,596** | 314,686 |
| Pension contribution | **2,491** | 2,430 |
| Social insurance | **17,515** | 16,795 |
| Share-based payment (equity-settled) | **3,350** | 11,885 |
| Provision for long services payment, provision for annual leave and others | **10,221** | 11,453 |
| | **361,173** | 357,249 |

## 13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

### (a) Directors' emoluments

The emoluments paid or payable to each of the ten (2012: ten) directors and chief executive were as follows:

*Year ended 31 December 2013*

| Name of directors | Fees HK$'000 | Basic salaries and bonus HK$'000 | Pension contribution HK$'000 | Housing and other allowances and benefits in kind HK$'000 | Sub-total HK$'000 | Share-based payment (Note (i)) HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | |
| Mr. Wong Shik Ho, Tony | – | 6,271 | 15 | 595 | 6,881 | 487 | 7,368 |
| Mr. Wong Fong Pak | – | 5,393 | 15 | 40 | 5,448 | 374 | 5,822 |
| Mr. Leung Wah Kan | – | 5,500 | 15 | 24 | 5,539 | 374 | 5,913 |
| Mr. Man Wai Hung | – | 1,924 | 15 | – | 1,939 | 136 | 2,075 |
| Mr. Ho Nai Nap | – | 2,422 | 15 | – | 2,437 | 136 | 2,573 |
| **Non-executive directors** | | | | | | | |
| Mrs. Ho Wong Mary Mee-Tak | 60 | – | – | – | 60 | – | 60 |
| Mr. Chiu Wing Yui (Note iii) | 60 | – | – | – | 60 | – | 60 |
| Mr. Ip Shing Hing | 240 | – | – | – | 240 | – | 240 |
| Mr. Lai Kin Jerome | 240 | – | – | – | 240 | – | 240 |
| Mr. Cheung Ying Sheung | 240 | – | – | – | 240 | – | 240 |
| | 840 | 21,510 | 75 | 659 | 23,084 | 1,507 | 24,591 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

### (a) Directors' emoluments (continued)

*Year ended 31 December 2012*

| Name of directors | Fees HK$'000 | Basic salaries and bonus HK$'000 | Pension contribution HK$'000 | Housing and other allowances and benefits in kind HK$'000 | Sub-total HK$'000 | Share-based payment (Note (i)) HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | |
| Mr. Wong Shik Ho, Tony | – | 4,859 | 15 | 613 | 5,487 | 1,614 | 7,101 |
| Mr. Wong Fong Pak | – | 4,140 | 15 | 27 | 4,182 | 1,242 | 5,424 |
| Mr. Leung Wah Kan | – | 4,213 | 15 | 52 | 4,280 | 1,242 | 5,522 |
| Mr. Man Wai Hung | – | 2,138 | 15 | – | 2,153 | 451 | 2,604 |
| Mr. Ho Nai Nap | – | 2,175 | 15 | – | 2,190 | 451 | 2,641 |
| **Non-executive directors** | | | | | | | |
| Mrs. Ho Wong Mary Mee-Tak | 106 | – | – | – | 106 | – | 106 |
| Mr. Chiu Wing Yui (Note iii) | 106 | – | – | – | 106 | – | 106 |
| Mr. Ip Shing Hing | 233 | – | – | – | 233 | – | 233 |
| Mr. Lai Kin Jerome | 233 | – | – | – | 233 | – | 233 |
| Mr. Cheung Ying Sheung | 233 | – | – | – | 233 | – | 233 |
| | 911 | 17,525 | 75 | 692 | 19,203 | 5,000 | 24,203 |

Notes:

(i) This represents the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 4(m).

The details of these benefits-in-kind, including the principal terms and number of options granted, are disclosed in note 32.

(ii) The remuneration of directors is determined by the remuneration committee having regard to the level and composition of pay and the general market conditions in the respective countries and businesses.

(iii) Resigned as non-executive director and appointed as alternative director to Mrs. Ho Wong Mary Mee-Tak both on 1 November 2012.

## 13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

### (b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, all (2012: all) were directors of the Company whose emoluments are included in the disclosure in note 13(a) above.

During the year, no emoluments were paid or payable by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2012: HK$Nil). In addition, none of the directors waived or agreed to waive any emoluments during the year (2012: None).

### (c) Senior management's emoluments

The emoluments paid or payable to members of senior management were within the following bands:

| | **2013 No. of Individuals** | 2012 No. of Individuals |
|---|---|---|
| HK$Nil to HK$1,000,000 | **8** | 3 |
| HK$1,000,001 to HK$1,500,000 | **2** | 6 |
| HK$1,500,001 to HK$2,000,000 | **1** | 1 |
| HK$2,000,001 to HK$3,000,000 | **—** | 1 |

## 14. PROFIT FOR THE YEAR

The consolidated profit for the year ended 31 December 2013 includes a profit of approximately HK$9,284,000 (2012: a profit of approximately HK$6,697,000), which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Amount of consolidated profit for the year dealt with in the Company's financial statements | **9,284** | 6,697 |
| Final dividend from a subsidiary attributable to the profits of the previous financial year, approved and paid during the year | **15,993** | 55,442 |
| Company's profit for the year (Note 30) | **25,277** | 62,139 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 15. DIVIDENDS

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| 2012 Final dividend paid — HK$0.03 (2012: 2011 Final dividend — HK$0.08) per share | **12,526** | 33,401 |
| 2013 Interim dividend declared and paid — HK$0.025 (2012: 2012 Interim dividend — HK$0.02) per share | **10,438** | 8,351 |
| Dividends paid for the year | **22,964** | 41,752 |

The directors of the Company proposed a final dividend of HK$0.04 (2012: HK$0.03) per share, totaling HK$16,701,000 (2012: HK$12,526,000) after the end of the reporting period. The final dividend has not been recognised as liabilities at the end of the reporting period.

## 16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 2013 and 2012 is based on the profit for the year and assuming the shares were in issue during the current and prior years, calculated as follows:

| **Earnings** | **2013<br>HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Earnings for the purpose of basic and diluted earnings per share | **73,145** | 52,254 |

| **Number of shares** | **2013** | 2012 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **417,518,668** | 414,903,914 |
| Effect of dilutive potential ordinary shares:<br>— share options | **—** | — |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **417,518,668** | 414,903,914 |

The computation of diluted earnings per share for the year ended 31 December 2013 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares.

## 17. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings HK$'000 | Leasehold improve-ments HK$'000 | Plant and machinery HK$'000 | Office and testing equipment HK$'000 | Furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Moulds HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | |
| At 1 January 2012 | 1,196 | 45,949 | 347,245 | 50,785 | 1,071 | 2,875 | 783 | 449,904 |
| Additions | — | 4,056 | 7,400 | 5,490 | 189 | — | — | 17,135 |
| Other additions (Note a) | — | — | 9,614 | 971 | — | — | — | 10,585 |
| Disposals/written off | — | (12) | (2,321) | (699) | — | — | — | (3,032) |
| Acquisition of a subsidiary | — | — | — | 124 | — | — | — | 124 |
| Exchange adjustments | — | 16 | — | 25 | 3 | 5 | — | 49 |
| At 31 December 2012 and 1 January 2013 | 1,196 | 50,009 | 361,938 | 56,696 | 1,263 | 2,880 | 783 | 474,765 |
| Additions | — | 893 | 3,333 | 5,511 | 130 | — | — | 9,867 |
| Reclassification | — | 15 | — | (15) | — | — | — | — |
| Disposals/written off | — | — | (23,019) | (2,059) | — | — | — | (25,078) |
| Exchange adjustments | — | 4 | — | 10 | 1 | 1 | — | 16 |
| At 31 December 2013 | 1,196 | 50,921 | 342,252 | 60,143 | 1,394 | 2,881 | 783 | 459,570 |
| **Accumulated depreciation:** | | | | | | | | |
| At 1 January 2012 | 219 | 32,891 | 270,241 | 45,206 | 915 | 2,390 | 783 | 352,645 |
| Depreciation | 24 | 2,965 | 25,236 | 6,094 | 44 | 390 | — | 34,753 |
| Written back on disposal/written off | — | (12) | (2,309) | (699) | — | — | — | (3,020) |
| Exchange adjustments | — | 8 | — | 13 | 2 | 3 | — | 26 |
| At 31 December 2012 and 1 January 2013 | 243 | 35,852 | 293,168 | 50,614 | 961 | 2,783 | 783 | 384,404 |
| Depreciation | 24 | 3,487 | 25,878 | 6,370 | 87 | 81 | — | 35,927 |
| Written back on disposal/written off | — | — | (22,560) | (2,059) | — | — | — | (24,619) |
| Exchange adjustments | — | 3 | — | 8 | 1 | 1 | — | 13 |
| At 31 December 2013 | 267 | 39,342 | 296,486 | 54,933 | 1,049 | 2,865 | 783 | 395,725 |
| **Net book value:** | | | | | | | | |
| At 31 December 2013 | 929 | 11,579 | 45,766 | 5,210 | 345 | 16 | — | 63,845 |
| At 31 December 2012 | 953 | 14,157 | 68,770 | 6,082 | 302 | 97 | — | 90,361 |

Notes:

(a) Other additions represented capitalisation of import tax attributable to acquisition of machinery and equipment in previous years.

(b) The Group's leasehold land is held in Hong Kong on medium-term lease.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 18. INTANGIBLE ASSETS

| | Brand name HK$'000 | Non-contractual customer lists and relationship HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Cost:** | | | |
| At 1 January 2012 | 6,196 | 8,640 | 14,836 |
| Acquisition of a subsidiary | — | 1,434 | 1,434 |
| At 31 December 2012 and 2013 | 6,196 | 10,074 | 16,270 |
| **Accumulated amortisation:** | | | |
| At 1 January 2012 | — | 6,480 | 6,480 |
| Amortisation | — | 1,800 | 1,800 |
| At 31 December 2012 and 1 January 2013 | — | 8,280 | 8,280 |
| Amortisation | — | 718 | 718 |
| At 31 December 2013 | — | 8,998 | 8,998 |
| **Carrying amount:** | | | |
| At 31 December 2013 | 6,196 | 1,076 | 7,272 |
| At 31 December 2012 | 6,196 | 1,794 | 7,990 |

The brand name acquired through acquisition of businesses is considered by management of the Group as having indefinite useful life as there was no limit to the period the brand name would contribute to net cash inflows.

Non-contractual customer lists and relationship acquired through acquisition of businesses is amortised over their useful lives of 5 years. The amortisation expense has been included in administrative expenses in the consolidated statement of comprehensive income.

For impairment testing, brand name is allocated to the cash generating units ("CGUs") that contribute the cash flows. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and profit margin during the year. Management estimates discount rate of 17.8% (2012: 13.9%) that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the coming year and extrapolates cash flows for the following two years with a growth rate of 5% and subsequent six years with a steady growth rate of 2%. Profit margin is based on historical data of the CGUs.

## 19. INVESTMENT IN A SUBSIDIARY

**The Company**

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Unlisted shares, at cost | 528,830 | 528,830 |

Amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

## 20. OTHER FINANCIAL ASSETS

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| **Available-for-sale investments — Non-current** | | |
| Investments in unlisted securities (Note) | 20,992 | 20,992 |

Note:

The available-for-sale investments represent 4.95% of equity interest in each of Federal Bonus Limited and Sapphire Global Holdings Limited as at 31 December 2013 (2012: 4.95%) respectively. Both of which are private companies incorporated in the British Virgin Islands ("BVI"). As the investments do not have a quoted market price in an active market and their fair value cannot be reliably measured, they are stated at cost less any accumulated impairment losses. The directors have no intention to dispose of the investments in the next twelve months.

## 21. TRADE AND OTHER RECEIVABLES

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Trade receivables | 825,562 | 844,834 |
| Less: Accumulated impairment losses | (9,912) | (8,354) |
| | 815,650 | 836,480 |
| Other receivables | 7,116 | 1,392 |
| Deposits and prepayments | 31,277 | 14,125 |
| | 854,043 | 851,997 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 21. TRADE AND OTHER RECEIVABLES (CONTINUED)

During the year, the Group discounted part of its trade receivables to financial institutions with full recourse. In the event of default by the debtors, the Group is obliged to pay the financial institutions the amount in default. Interest is charged at 1.32% to 1.61% (2012: 1.57% to 2.38%) on the proceeds received from the financial institutions until the date the debtors pay. The Group is therefore exposed to the risks of credit losses and late payment in respect of the discounted debts.

There are two types of discounting transactions, factoring loans and discounted bills, of which trade receivables are served as asset-backed financing. The discounting transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade debts.

For factoring loans, at 31 December 2013, trade receivables of approximately HK$107,218,000 (2012: HK$65,216,000) continued to be recognised in the Group's financial statements even though they have been legally transferred to the financial institutions. As at 31 December 2013, no factoring loan has been obtained by the Group (2012: HK$Nil).

For discounted bills, at 31 December 2013, the trade receivables at the amount same as the proceeds of discounted bills continued to be recognised in the Group's financial statements even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in borrowings as asset-backed financing as disclosed in note 27 until the trade debts are collected or the Group settles any losses suffered by the financial institutions.

Because the trade debts have been transferred to the financial institutions legally, the Group did not have the authority to determine the disposition of the trade receivables.

Amount due from a shareholder was unsecured, interest free and repayable on demand.

The ageing analysis of trade receivables (net of impairment losses) as of the end of the year is as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 1 month | **465,715** | 398,743 |
| Over 1 month but within 3 months | **296,439** | 385,110 |
| Over 3 months but within 1 year | **52,981** | 50,198 |
| Over 1 year | **515** | 2,429 |
| | **815,650** | 836,480 |

The credit period on sales of goods is 25 to 60 days (2012: 30 to 60 days) from the invoice date.

## 21. TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing of trade receivables which are past due but not impaired are as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Within 1 month | **123,619** | 230,922 |
| Over 1 month but within 3 months | **21,697** | 88,219 |
| Over 3 months but within 1 year | **35,807** | 13,181 |
| Over 1 year | **350** | 2,233 |
| | **181,473** | 334,555 |

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

Receivables that were past due but not impaired related to a number of independent customers that have a good track record. Based on past experience, the directors consider that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The below table reconciles the impairment loss of trade receivables for the year:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| At beginning of year | **8,354** | 8,805 |
| Provision of impairment loss recognised | **2,023** | 870 |
| Uncollectible amounts written off | **(472)** | (1,343) |
| Exchange difference | **7** | 22 |
| At end of year | **9,912** | 8,354 |

The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 4(g)(ii).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| **Derivative financial assets** | | |
| Performance swap contracts (Note a) | – | 1,308 |
| **Derivative financial liabilities** | | |
| Interest rate swap contracts | – | 3 |
| Foreign currency forward contracts (Note b) | 2,391 | – |
| | 2,391 | 3 |

Notes:

### (a) Performance swap contracts

| Notional amount | Trade dates | Contracted exchange rates | Fair value 2013<br>HK$'000 | Fair value 2012<br>HK$'000 |
|---|---|---|---|---|
| US$2,000,000 | 15 February 2012 to 14 February 2014 | RMB6.45 | – | 297 |
| US$1,000,000 | 16 February 2012 to 22 April 2014 | RMB6.38 | – | 216 |
| US$1,000,000 | 19 June 2012 to 17 June 2014 | RMB6.44 | – | 795 |
| | | | – | 1,308 |

## 22. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Foreign currency forward contracts

The foreign currency forward contracts are settled at specific time intervals and major terms of the contracts as at 31 December 2013 and 2012 are as follows:

| Notional amount | Trade dates | Contracted exchange rates | Fair value 2013 HK$'000 | Fair value 2012 HK$'000 |
|---|---|---|---|---|
| US$2,500,000 | 3 October 2013 to 7 January 2014 | KRW1,079.65 | 561 | — |
| US$2,500,000 | 11 October 2013 to 7 February 2014 | KRW1,078 | 571 | — |
| US$2,500,000 | 15 October 2013 to 7 March 2014 | KRW1,078 | 609 | — |
| US$2,500,000 | 15 October 2013 to 7 April 2014 | KRW1,078 | 650 | — |
| | | | 2,391 | — |

The above derivatives were measured at fair value at the end of the year. The fair values of the above derivatives were determined based on valuations performed by Stirling Appraisals Limited, a qualified valuer.

## 23. DEFERRED TAX

Details of the deferred tax assets and liabilities recognised and movements during the year:

| | Accelerated tax depreciation HK$'000 | Provisions for doubtful debts and warranty HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 January 2012 | 826 | 1,033 | 1,859 |
| Charged to profit or loss | (17) | (80) | (97) |
| At 31 December 2012 and 1 January 2013 | 809 | 953 | 1,762 |
| Charged to profit or loss | (96) | 44 | (52) |
| At 31 December 2013 | 713 | 997 | 1,710 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 23. DEFERRED TAX (CONTINUED)

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

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Deferred tax assets | 1,790 | 1,762 |
| Deferred tax liabilities | (80) | — |
| At 31 December 2013 | 1,710 | 1,762 |

Deferred tax asset has not been recognised for the following:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Deductible temporary differences | 11,307 | 9,892 |
| Unused tax losses | 54,631 | 49,886 |
| | 65,938 | 59,778 |

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The deductible temporary differences can be carried forward indefinitely. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. Losses amounting to approximately HK$2,858,000 (2012: HK$2,509,000) could be carried forward indefinitely, remaining losses amounting to approximately HK$51,773,000 (2012: HK$47,377,000) will expire during 2027 to 2033.

## 24. INVENTORIES

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Raw materials | **467,253** | 384,238 |
| Work-in-progress | **27,754** | 11,625 |
| Finished goods | **406,845** | 335,602 |
| | **901,852** | 731,465 |
| Less: Provision for obsolete inventories | **(47,538)** | (33,544) |
| | **854,314** | 697,921 |

## 25. CASH AND CASH EQUIVALENTS

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Cash at banks and in hand | **688,972** | 602,591 |

The currencies analysis of cash and cash equivalents are shown as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Renminbi | **131,086** | 108,609 |
| Japanese Yen | **3,699** | 4,560 |
| Taiwan dollars | **758** | 1,005 |
| United States dollars | **452,758** | 371,067 |
| Hong Kong dollars | **91,223** | 103,024 |
| Others | **9,448** | 14,326 |
| | **688,972** | 602,591 |

Renminbi is not freely convertible into other currencies. Under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

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For the year ended 31 December 2013

## 26. TRADE AND OTHER PAYABLES

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Trade payables | **693,421** | 553,223 |
| Other payables and accruals | **176,176** | 160,371 |
| | **869,597** | 713,594 |

All trade payables and other payables and accruals are due to be settled within twelve months.

The ageing analysis of trade payables as of the end of reporting period is as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Within 1 month | **345,942** | 225,699 |
| Over 1 month but within 3 months | **313,843** | 291,596 |
| Over 3 months but within 1 year | **29,182** | 32,900 |
| Over 1 year | **4,454** | 3,028 |
| | **693,421** | 553,223 |

## 27. BORROWINGS

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Import loans — secured | **787,835** | 767,928 |
| Bank loans — secured | **24,165** | 48,411 |
| Discounted bills | **11,111** | 5,200 |
| | **823,111** | 821,539 |

## 27. BORROWINGS (CONTINUED)

The repayment schedules of the above borrowings based on the agreed terms of repayment granted by banks are as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| On demand or within one year | **815,861** | 797,374 |
| Due after one year | | |
| More than one year, but not exceeding two years | **7,250** | 16,915 |
| More than two years, but not exceeding five years | **—** | 7,250 |
| | **7,250** | 24,165 |
| | **823,111** | 821,539 |

(i) At 31 December 2013, the above borrowings bear interest at effective interest rates ranging from 1.15% per annum plus SIBOR (2012: 1.3% per annum plus bank's cost of fund) to 2.75% per annum plus 1 month HIBOR (2012: 2.75% per annum plus 1 month HIBOR) for the year.

(ii) The Group's banking facilities are secured by bank deposits of HK$310,000 (2012: HK$310,000).

(iii) The discounted bills are secured by the Group's trade receivables as disclosed in note 21.

(iv) The banks have overriding right of repayment on demand for all bank loans irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. Therefore, the bank loans were entirely classified as current liabilities in the consolidated statement of financial position.

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## 28. PROVISIONS

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| **Provision for product warranties and returns** | | |
| At beginning of year | **6,228** | 7,894 |
| Additional net provision/(reversal) made | **1,517** | (770) |
| Utilised | **(713)** | (896) |
| Net movement for the year | **804** | (1,666) |
| At end of year | **7,032** | 6,228 |

Under the terms of the Group's certain sales agreements, the Group will rectify any product defects arising within three years from the date of sale ("Track Record Period"). The Group also has a policy allowing the customers to return any defected products within two years after the delivery of products.

Provision is therefore made for the best estimate of the expected settlement of warranty under sales agreements and sales returns in respect of sales made during the Track Record Period. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable whilst the amount of provision for sales returns is estimated by management with reference to the past experience and other relevant factors.

## 29. SHARE CAPITAL

| | 2013<br>Number | 2013<br>HK$'000 | 2012<br>Number | 2012<br>HK$'000 |
|---|---|---|---|---|
| Authorised: | | | | |
| Ordinary shares of HK$0.1 each | **1,000,000,000** | **100,000** | 1,000,000,000 | 100,000 |
| Issued and fully paid: | | | | |
| Ordinary shares of HK$0.1 each | | | | |
| At beginning of the year | **417,518,668** | **41,752** | 330,518,668 | 33,052 |
| Shares issued under initial public offering (Note) | **–** | **–** | 87,000,000 | 8,700 |
| At end of the year | **417,518,668** | **41,752** | 417,518,668 | 41,752 |

Note: On 12 January 2012, 87,000,000 new ordinary shares of HK$0.10 each were issued at a price of HK$1.60 per share under the initial public offering. The Group raised approximately HK$128,031,000, net of related expenses from the share offer and placing.

## 30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity.

Movements of the reserves of the Company are as follows:

| | Share premium HK$'000 | Other reserve (Note) HK$'000 | Share-based payment reserve HK$'000 | (Accumulated losses)/ retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 January 2012 | – | 495,778 | 593 | (20,103) | 476,268 |
| Issuance of shares (Note 29) | 130,500 | – | – | – | 130,500 |
| Share issue expenses | (11,169) | – | – | – | (11,169) |
| Profit for the year | – | – | – | 62,139 | 62,139 |
| Dividend paid (Note 15) | – | – | – | (41,752) | (41,752) |
| Equity settled share-based transactions (Note 32) | – | – | 11,885 | – | 11,885 |
| At 31 December 2012 and 1 January 2013 | 119,331 | 495,778 | 12,478 | 284 | 627,871 |
| Profit for the year | – | – | – | 25,277 | 25,277 |
| Dividend paid (Note 15) | – | – | – | (22,964) | (22,964) |
| Equity settled share-based transactions (Note 32) | – | – | 3,350 | – | 3,350 |
| At 31 December 2013 | 119,331 | 495,778 | 15,828 | 2,597 | 633,534 |

Note: Other reserve of the Company represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the reorganisation in previous year.

# Notes to the Consolidated Financial Statements

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## 31. OPERATING LEASE ARRANGEMENTS (AS LESSEE)

The Group leases the majority of its properties. The terms of property leases vary from country to country, although they all tend to be tenant repairing with rent reviews every 1 to 8 years and many have break clauses.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Within one year | **30,987** | 30,905 |
| After one year but within five years | **69,497** | 93,577 |
| After five years | **—** | — |
| | **100,484** | 124,482 |

## 32. SHARE-BASED PAYMENT

Pursuant to the written resolutions of the shareholders of the Company passed on 14 December 2011 (the "Resolutions"), the Company has adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme"). Under which, share options are granted to directors (including non-executive directors), employees and consultants to the Group (the "Grantees"). The Pre-IPO Share Option Scheme was terminated on 24 December 2011. Upon termination of the Pre-IPO Share Option Scheme, no further share option was granted but in all other respects the provisions of the Pre-IPO Share Option Scheme is remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme, and share options which were granted prior to such termination are continued to be valid and exercisable in accordance with the provisions of the Pre-IPO Share Option Scheme and their terms of issue.

As at 14 December 2011, options to subscribe for an aggregate of 31,990,000 shares of the Company, representing 7.66% of the issued share capital of the Company immediately following the completion of the offering (as defined in the Prospectus), at an exercise price of HK$1.46 per share of the Company, have been granted pursuant to the Pre-IPO Share Option Scheme. Each of the Grantees has paid HK$1 to the Company on acceptance of the offer for the grant of option.

Pursuant to the Resolutions, Grantees may exercise 50% of such options granted for three years commencing from the first anniversary of 12 January 2012 (the "Listing Date") of the company and the remaining 50% for the period of three years commencing from the second anniversary of the Listing Date. The share-based payment in respect of such options is amortised over the vesting periods from 14 December 2011 to 11 January 2013 and 14 December 2011 to 11 January 2014 and HK$3,350,000 (2012: HK$11,885,000) has been charged to profit or loss for the year in accordance with the Group's accounting policy set out in note 4(m).

## 32. SHARE-BASED PAYMENT (CONTINUED)

Movements in the number of share options outstanding and their exercise prices are as follows:

| | **2013** | | | |
|---|---|---|---|---|
| | **Weighted average exercise price HK$** | **Directors HK$'000** | **Employees HK$'000** | **Total HK$'000** |
| Outstanding at the beginning of the year | **1.46** | **13,290** | **18,300** | **31,590** |
| Granted during the year | **—** | **—** | **—** | **—** |
| Lapsed during the year | **1.46** | **—** | **(2,050)** | **(2,050)** |
| Outstanding at the end of the year | **1.46** | **13,290** | **16,250** | **29,540** |
| Exercisable at the end of the year | **1.46** | **6,645** | **8,125** | **14,770** |

| | 2012 | | | |
|---|---|---|---|---|
| | Weighted average exercise price HK$ | Directors HK$'000 | Employees HK$'000 | Total HK$'000 |
| Outstanding at the beginning of the year | 1.46 | 13,290 | 18,700 | 31,990 |
| Granted during the year | — | — | — | — |
| Lapsed during the year | 1.46 | — | (400) | (400) |
| Outstanding at the end of the year | 1.46 | 13,290 | 18,300 | 31,590 |
| Exercisable at the end of the year | — | — | — | — |

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## 32. SHARE-BASED PAYMENT (CONTINUED)

Details of movements in number of share options granted to the directors of the Company are as follows:

| | | 2013 | | |
|---|---|---|---|---|
| **Directors** | **On adoption** | **Granted during the year** | **Exercised during the year** | **End of year** |
| Mr. Wong Shik Ho, Tony | **4,290,000** | **—** | **—** | **4,290,000** |
| Mr. Wong Fong Pak | **3,300,000** | **—** | **—** | **3,300,000** |
| Mr. Leung Wah Kan | **3,300,000** | **—** | **—** | **3,300,000** |
| Mr. Man Wai Hung | **1,200,000** | **—** | **—** | **1,200,000** |
| Mr. Ho Nai Nap | **1,200,000** | **—** | **—** | **1,200,000** |
| Total | **13,290,000** | **—** | **—** | **13,290,000** |

| | | 2012 | | |
|---|---|---|---|---|
| Directors | On adoption | Granted during the year | Exercised during the year | End of year |
| Mr. Wong Shik Ho, Tony | 4,290,000 | — | — | 4,290,000 |
| Mr. Wong Fong Pak | 3,300,000 | — | — | 3,300,000 |
| Mr. Leung Wah Kan | 3,300,000 | — | — | 3,300,000 |
| Mr. Man Wai Hung | 1,200,000 | — | — | 1,200,000 |
| Mr. Ho Nai Nap | 1,200,000 | — | — | 1,200,000 |
| Total | 13,290,000 | — | — | 13,290,000 |

The fair value for total share options granted to directors and employees were amounted to HK$7,175,000 and HK$10,095,000 respectively and was calculated using the Binomial option pricing model by Stirling Appraisals Limited. The weighted average remaining contractual life of the share option outstanding at 31 December 2013 was 2.58 years (2012: 3.58 years).

## 32. SHARE-BASED PAYMENT (CONTINUED)

The inputs into the model were as follows:

### The Group and the Company

| | Employees and directors<br>As at<br>14 December 2011 |
|---|---|
| Weighted average share price | 1.60 |
| Weighted average exercise price | 1.46 |
| Expected volatility | 50.16% to 50.76% |
| Expected life | 4.079 to 5.081 years |
| Risk-free interest rate | 0.663% to 0.839% |
| Early exercise behaviour | 220% |
| Expected dividend yield | 5% |

The expected volatility is based on the historical volatility on publicly available information.

The risk-free interest rate was determined with reference to the yield rate of the Hong Kong Exchange Fund Notes with duration similar to the expected life of the options.

The options were expected to be exercised when the share price of the underlying security of the options rises to 220% of the exercise price.

Share options were granted under a service condition. This condition has not been taken into account in grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

## 33. CAPITAL COMMITMENTS

At 31 December 2013, the Group had the following capital commitments in respect of:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Contracted for acquisition of property, plant and equipment but not provided | **572** | 1,789 |

# Notes to the Consolidated Financial Statements

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## 34. RELATED PARTY DISCLOSURES

During the year, the Group entered into the following significant transactions with its related parties:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Related companies owned by directors of the Company | | |
| — rent | 720 | 670 |
| Non-controlling shareholders of a subsidiary | | |
| — rent | 138 | 115 |
| Directors of the Company | | |
| — rent | 138 | 115 |

Rental expenses were charged according to the agreements.

The directors are of the opinion that these transactions were conducted in normal business terms and in the ordinary course of business.

Members of key management during the year comprised the directors only whose remuneration is set out in note 13.

## 35. CAPITAL RISK MANAGEMENT

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 27 and the obligations under finance lease, cash and cash equivalents disclosed in note 25 and equity of the Group, comprising share capital, reserves and retained earnings disclosed in consolidated statement of changes in equity. Management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

The Group has a target gearing ratio of below 100% determined as the proportion of net debt to equity.

The gearing ratio at the end of each reporting period was as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Debts | 823,153 | 821,597 |
| Cash and cash equivalents | (688,972) | (602,591) |
| Net debts | 134,181 | 219,006 |
| Total equity | 781,643 | 728,006 |
| Debts to equity ratio | 17.2% | 30.1% |

## 36. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

### (a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. Ongoing evaluations are performed on monthly basis. Receivables with balances that are more than 3 months overdue, further credit will only be granted under management's approval, otherwise, receivables are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers, however the Group has purchased credit insurance for certain customers.

Further quantitative disclosures in respect of the Group exposures to credit risk arising from trade receivables are set out in note 21.

As at 31 December 2013, approximately 18% (2012: 11%), of the Group's trade receivables were due from a major customer, whose sales accounted for more than 10% of the Group's revenue during the year.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

### (b) Liquidity risk

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

The following table details the Group's and the Company's remaining contractual maturities for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank loans with a repayment on demand clause which can be exercised at the bank's sole discretion. The analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity dates for other financial liabilities are based on the agreed repayment dates.

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## 36. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Liquidity risk (continued)

| Group | Carrying amount HK$'000 | Total contractual undiscounted cash flow HK$'000 | Within one year HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years HK$'000 |
|---|---|---|---|---|---|
| **At 31 December 2013** | | | | | |
| Trade and other payables | **869,597** | **869,597** | **869,597** | **–** | **–** |
| Borrowings | **823,111** | **823,111** | **823,111** | **–** | **–** |
| Obligations under finance leases | **42** | **42** | **15** | **15** | **12** |
| Total | **1,692,750** | **1,692,750** | **1,692,723** | **15** | **12** |
| Derivative settled net: | | | | | |
| Foreign currency forward | **2,391** | **2,391** | **2,391** | **–** | **–** |
| **At 31 December 2012** | | | | | |
| Trade and other payables | 713,594 | 713,594 | 713,594 | – | – |
| Borrowings | 821,539 | 821,539 | 821,539 | – | – |
| Obligations under finance leases | 58 | 58 | 16 | 15 | 27 |
| Total | 1,535,191 | 1,535,191 | 1,535,149 | 15 | 27 |
| Derivative settled net: | | | | | |
| Interest rate swap | 3 | 3 | 3 | – | – |

## 36. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Liquidity risk (continued)

| Company | Carrying amount HK$'000 | Total contractual undiscounted cash flow HK$'000 | Within one year HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years HK$'000 |
|---|---|---|---|---|---|
| **At 31 December 2013** | | | | | |
| Accruals | **8,687** | **8,687** | **8,687** | **–** | **–** |
| Amount due to a subsidiary | **2,024** | **2,024** | **2,024** | **–** | **–** |
| Total | **10,711** | **10,711** | **10,711** | **–** | **–** |
| Financial guarantee issued | | | | | |
| Maximum amount guaranteed | **1,578,574** | **1,578,574** | **1,578,574** | **–** | **–** |
| **At 31 December 2012** | | | | | |
| Accruals | 4,959 | 4,959 | 4,959 | – | – |
| Amount due to a subsidiary | 1,824 | 1,824 | 1,824 | – | – |
| Total | 6,783 | 6,783 | 6,783 | – | – |
| Financial guarantee issued | | | | | |
| Maximum amount guaranteed | 1,578,562 | 1,578,562 | 1,578,562 | – | – |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 36. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Liquidity risk (continued)

The table that follows summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates.

| | Carrying amount HK$'000 | Total contractual undiscounted cash flow HK$'000 | Within one year HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years HK$'000 |
|---|---|---|---|---|---|
| 31 December 2013 | **24,165** | **24,738** | **17,274** | **7,464** | **–** |
| 31 December 2012 | 48,411 | 49,474 | 24,737 | 17,285 | 7,452 |

### (c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

The following table details the interest rate profile of the Group's borrowings:

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Effective interest rate (per annum)** | **HK$'000** | Effective interest rate (per annum) | HK$'000 |
| Variable rate borrowings: | | | | |
| Import loans | **1.39%** | **787,835** | 1.60% | 767,928 |
| Bank loans | **2.37%** | **24,165** | 2.23% | 48,411 |
| Discounted bills | **1.40%** | **11,111** | 1.63% | 5,200 |
| | | **823,111** | | 821,539 |
| Fixed rate borrowings: | | | | |
| Obligations under finance lease | **Nil** | **42** | Nil | 58 |

The Group manages certain of its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

## 36. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Interest rate risk (continued)

At 31 December 2013, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax for the year ended 31 December 2013 by approximately HK$3,436,000 (2012: HK$3,424,000) respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2012.

### (d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Renminbi.

At 31 December 2013, the Group had foreign currency forward contracts with a fair value of HK$2,391,000 (2012: HK$Nil) recognised as derivative financial liabilities. At 31 December 2012, the Group had performance swap contracts with a fair value of HK$1,308,000 recognised as derivative financial assets.

The following table details the Group's exposure at 31 December 2013 and 2012 to significant currency risk arising from the recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

| | **2013 Renminbi HK$'000** | 2012 Renminbi HK$'000 | **2013 Korean Won HK$'000** | 2012 Korean Won HK$'000 |
|---|---|---|---|---|
| Trade and other receivables | **39,628** | 57,235 | **10,683** | 9,862 |
| Cash and cash equivalents | **93,513** | 100,847 | **8,078** | 14,106 |
| Trade and other payables | **(7,354)** | (14,344) | **(998)** | (964) |
| Currency derivatives at notional value | **—** | 31,996 | **(78,724)** | — |
| Overall net exposure | **125,787** | 175,734 | **(60,961)** | 23,004 |

# Notes to the Consolidated Financial Statements

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## 36. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Currency risk (continued)

The following table indicates the approximate change in the Group's profit after income tax and retained profits and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit for the year and other equity where the HK$ strengthens against the relevant currency. For a weakening of the HK$ against the relevant currency, there would be an equal and opposite impact on the profit for the year and other equity, and the balances below would be negative.

| | Increase in foreign exchange rates | Effect on profit after income tax HK$'000 |
|---|---|---|
| **As at 31 December 2013** | | |
| Renminbi | **5%** | **5,262** |
| Korean Won | **5%** | **(2,759)** |
| **As at 31 December 2012** | | |
| Renminbi | 5% | 7,751 |
| Korean Won | 5% | 960 |

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the periods until the next annual reporting date. In this respect, it is assumed that the pegged rate between the HK$ and the US$ would be materially unaffected by any changes in movement in value of the US$ against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis as 2012.

## 37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Carrying amount HK$'000 | Fair value HK$'000 | Carrying amount HK$'000 | Fair value HK$'000 |
| **Financial assets** | | | | |
| Fair value through profit and loss | – | – | 1,308 | 1,308 |
| Loans and receivables | 1,515,206 | N/A | 1,445,478 | N/A |
| Available-for-sale financial assets | 20,992 | N/A | 20,992 | N/A |
| **Financial liabilities** | | | | |
| Fair value through profit and loss | 2,391 | 2,391 | 3 | 3 |
| Financial liabilities measured at amortised cost | 1,682,334 | N/A | 1,513,167 | N/A |

### (a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, due from fellow subsidiaries, loans receivable, trade and other payables, pledged time deposits, finance leases, financial guarantees issued and borrowings.

Due to their short term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates fair value.

The fair value of borrowings, finance leases and financial guarantees issued for disclosure purposes has been determined using discounted cash flow models and is classified as level 3 in the fair value hierarchy. Significant inputs include the discount rate used to reflect the credit risks of the borrowers or the Group.

### (b) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

# Notes to the Consolidated Financial Statements

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## 37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

### (b) Financial instruments measured at fair value (continued)

*Information about level 2 fair value measurements*

The fair value of interest rate swaps was calculated as the present value of the estimated future cash flows based on observed yield curves.

The fair value of forward exchange contracts is determined based on the forward exchange rate at the reporting date.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | **Level 1 HK$'000** | **Level 2 HK$'000** | **Level 3 HK$'000** |
|---|---|---|---|
| **As at 31 December 2013** | | | |
| Financial assets at fair value through profit or loss: | | | |
| — derivatives | **–** | **–** | **–** |
| Financial liabilities at fair value through profit or loss | | | |
| — derivatives | **–** | **2,391** | **–** |
| **As at 31 December 2012** | | | |
| Financial assets at fair value through profit or loss: | | | |
| — derivatives | – | 1,308 | – |
| Financial liabilities at fair value through profit or loss | | | |
| — derivatives | – | 3 | – |

There is no transfer between Level 1 and Level 2 of the fair value hierarchy during both years.

## 38. PARTICULARS OF SUBSIDIARIES

As at 31 December 2013, the particulars of the Company's principal subsidiaries, all of which are companies with limited liability, are as follows:

| Name of subsidiary | Place and date of incorporation/ establishment | Place of operations | Issued and fully paid-up share capital | Attributable equity interest held Directly | Attributable equity interest held Indirectly | Principal activities |
|---|---|---|---|---|---|---|
| PC Partner Holdings Limited | BVI 2 May 1997 | Hong Kong | US$4,264,757 | 100% | – | Investment holding |
| Active Smart Limited | Hong Kong 15 February 1994 | Hong Kong | HK$10,000 | – | 100% | Trading of computer parts |
| Ask Technology Group Limited | Hong Kong 10 March 2008 | Hong Kong | HK$10,000 | – | 100% | Trading of computer accessories |
| Double Hero Petroleum Factory Limited | Hong Kong 16 August 1994 | Hong Kong | HK$50,000 | – | 100% | Trading of computer parts |
| Innovision Multimedia Limited | Hong Kong 6 February 1998 | Hong Kong | HK$10,000 | – | 100% | Trading of computer accessories |
| Manli Technology Group Limited | Hong Kong 10 March 2008 | Hong Kong | HK$10,000 | – | 100% | Trading of computer accessories and computers |
| PC Partner International Limited | BVI 10 July 2003 | Hong Kong | US$1 | – | 100% | Provision of marketing service |
| PC Partner Limited | Hong Kong 12 February 1988 | Hong Kong | HK$26,520,000 | – | 100% | Design, manufacture and sale of computer accessories and computers |
| Zotac International (Macao Commercial Offshore) Limited | Macau 20 September 2006 | Macau | MOP100,000 | – | 100% | Trading of computer accessories and computers |
| Zotac Korea Co., Ltd. | Korea 12 May 2010 | Korea | KRW559,820,000 | – | 100% | Trading of computer accessories and computers |
| Zotac USA Inc. (Nevada) | United States of America ("USA") 9 October 2007 | USA | US$200,000 | – | 100% | Trading of computer accessories and computers |
| 東莞栢能電子科技有限公司 (Note) | PRC 10 July 2009 | PRC | US$21,133,330 | – | 100% | Subcontracting of computer accessories and computers |
| 東莞市天沛電子科技有限公司 (Note) | PRC 11 July 2008 | PRC | RMB17,500,000 | – | 100% | Subcontracting of computer accessories |
| Zotac Europe GmbH | Germany 25 September 2012 | Germany | EUR25,000 | – | 100% | Provision of technical support service |
| PC Vision Limited | Hong Kong 14 June 2013 | Hong Kong | HK$6,500,000 | – | 100% | Design and sale of computer accessories |
| PC Tab Limited | Hong Kong 12 August 2013 | Hong Kong | HK$10,000 | – | 100% | Trading of computers and computer parts |

Note:

All subsidiaries established in the PRC are wholly foreign owned enterprises.

## 39. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 March 2014.

# Property Interests Held by the Group

| Description | Group interest | Use | Tenure |
|---|---|---|---|
| Workshop Nos. 15 to 18<br>on 15th Floor<br>Yale Industrial Centre<br>Nos. 61–63 Au Pui Wan Street<br>Shatin<br>New Territories | 100% | For workshop and ancillary office purposes | Medium-term lease |