ANNUAL REPORT 2013

SUNLINK INTERNATIONAL HOLDINGS LIMITED
科浪國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 2336)

* *For identification purpose only*

Contents

Abbreviations

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

"Board"	the Board of Directors of the Company
"Company"	Sunlink International Holdings Limited
"Directors"	the directors of the Company
"Foshan Lianchuang Hualian"	佛山聯創華聯電子有限公司 (literally translated as Foshan Lianchuang Hualian Electronics Company Limited)
"Global Winner"	Global Winner Enterprises Limited
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Provisional Liquidators"	Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai, the joint and several provisional liquidators of the Company, both of Ernst & Young Transactions Limited acting without personal liability (already discharged)
"Restructuring Agreement"	A formal restructuring agreement dated 30 September 2011 entered into between Brilliant Capital International Limited, Mr. Suen Cho Hung, Paul (now a Non-executive Director of the Company), the Company and the Provisional Liquidators to implement the proposed restructuring of the Company which included, inter alia, (i) capital restructuring; (ii) open offer; (iii) subscription of new shares; (iv) issue of shares to creditors; (v) issue of creditors convertible bonds; (vi) implementation of the Scheme of Arrangement; and (vii) group reorganisation, details of the restructuring agreement are set out in the circular of the Company dated 23 December 2011
"Scheme of Arrangement"	the scheme of arrangement with the Company's creditors which became effective on 23 February 2012, details of the scheme of arrangement are set out in the circular of the Company dated 23 December 2011
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$" and "cents"	Hong Kong dollars and cents
"%"	per cent.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Sue Ka Lok *(Chairman)*
Mr. Lai Ming Wai *(Chief Executive Officer)*

Non-executive Director

Mr. Suen Cho Hung, Paul

Independent Non-executive Directors

Mr. Sun Ka Ziang, Henry
Mr. Chiang Bun
Ms. Wong Wai Yin, Viola

AUDIT COMMITTEE

Mr. Sun Ka Ziang, Henry *(Chairman)*
Mr. Chiang Bun
Ms. Wong Wai Yin, Viola

REMUNERATION COMMITTEE

Mr. Chiang Bun *(Chairman)*
Mr. Sun Ka Ziang, Henry
Ms. Wong Wai Yin, Viola

NOMINATION COMMITTEE

Ms. Wong Wai Yin, Viola *(Chairman)*
Mr. Sun Ka Ziang, Henry
Mr. Chiang Bun
Mr. Sue Ka Lok

COMPANY SECRETARY

Ms. Chan Yuk Yee

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 2336)

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1502, 15th Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
Bank of Communications Co., Ltd., Hong Kong Branch

AUDITOR

ZHONGHUI ANDA CPA Limited
(formerly known as ANDA CPA Limited)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

http://www.sunlinkgroup.com.hk
http://www.tricor.com.hk/webservice/02336

Chairman's Statement

GROUP'S RESULTS

For the year ended 31 December 2013, the Group reported a turnover of HK$231,191,000, representing a 31% decline from last year (2012: HK$334,135,000), and gross profit of HK$8,356,000, showing a 66% drop from the prior year (2012: HK$24,250,000). The declines in the Group's turnover and gross profit were primarily attributable to the drop in revenue and profit generated from the sales of used semiconductor and computer motherboard products. In addition, the provision for slow-moving inventories of HK$3,154,000 recognised by the Group's 50.21% owned subsidiary in the PRC also led to the drop in the Group's gross profit. The Group recorded a loss for the year of HK$1,414,000 in contrast to the profit of HK$262,800,000 in last year, whereas the Group's profit attributable to owners of the Company was HK$353,000 compared to HK$263,149,000 in the prior year. Basic earnings per share were HK0.03 cent compared to HK28.29 cents in the previous year. The decrease in profit attributable to owners of the Company was mainly the combined results of the absence of gains on debts discharged under the Scheme of Arrangement and group reorganisation amounted to HK$227,219,000 and HK$30,589,000 respectively as recorded in the previous year, the decreases in revenue and profit generated from the Group's used semiconductor and computer motherboard products resulting from the drop in demand from customers, and the provision for slow-moving inventories recognised by the Group's 50.21% owned subsidiary in the PRC.

PROSPECTS

The Group has been managing its businesses prudently in view of the slowdown of economic growth in the Mainland which has posed negative impact on the electronic industry in general. In fact, the business environment in which the Group is operating has become increasingly competitive and profit margin is getting slim. Looking ahead, the Group will continue its prudent approach in managing its existing businesses and will cautiously look for new business opportunities that can add significant value and bring long term prosperity to the Group.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to all shareholders, bankers, business associates, suppliers and customers for their continuing support to the Group. Further, I would like to give my special thanks to my fellow board members and all staff members for their hard work and contributions during the past year.

Sue Ka Lok
Chairman

Hong Kong, 26 March 2014

OPERATIONS REVIEW

For the year ended 31 December 2013, the Group continued to engage in the sale of semiconductors and related products as well as the development and provision of electronic turnkey device solution products.

For the year under review, the revenue of the Group's semiconductors and related products operation was HK$185,980,000, showing a 29% decrease from last year (2012: HK$263,661,000) and was mainly due to the drop in sales of used semiconductor products. The profit of the operation decreased by 72% to HK$3,523,000 (2012: HK$12,746,000) that mainly represented the combined effect of the squeeze in profit margin derived from the sales of standardised semiconductor products and the drop in revenue and hence profit generated from the sales of used semiconductor products. The Group principally performs a supply and procurement function of standardised semiconductors and related products for its customers mainly for applications in computer, consumer electronic and telecommunication products. In addition, the Group sells used transmission equipment containing recyclable semiconductor components. During the review year, primarily due to the continued slowdown of the Mainland economy that negatively affected the electronic industry in general, the price and profit margin of electronic products have been going downtrend that reduced the profitability of the Group's semiconductor products operation.

The revenue of the development and provision of electronic turnkey device solutions operation decreased by 36% to HK$45,211,000 compared to last year (2012: HK$70,474,000), and with its segment results turned from profit of HK$2,827,000 in last year to loss of HK$3,827,000 in the current year. The rather disappointed results of the operation were mainly caused by the declines in revenue and profit derived from the operation's engineering and design services for netbook and notebook computer motherboards, and the provisions recognised for slow-moving inventories and a doubtful debt by the Group's subsidiary in the PRC. Customer orders for the Group's engineering and design services for netbook and notebook computers dropped significantly during the current year and was largely an indirect consequence of the increasing popularity of tablet computers, which rendered the demand for netbook and notebook computers diminished. Moreover, the provisions for slow-moving inventories and a doubtful debt amounting to HK$3,154,000 and HK$1,328,000 respectively recognised by the Group's 50.21% owned subsidiary, which is principally engaged in the manufacturing and sale of microcontrollers for home electrical appliances in the PRC, also led to the significant segment loss incurred by the operation in the current year. As part of the measures to counter the unsatisfactory performance of the operation's computer motherboard product line, the operation has commenced the engineering services for backlight circuitry of Liquid Crystal Display (LCD) panels during the current year. This new line of business represents an extension of the operation's engineering services for turnkey device solution products and a new revenue source to the operation.

The Group reported loss for the year of HK$1,414,000 in contrast to the profit of HK$262,800,000 in last year. An other comprehensive income of HK$1,000,000 (2012: other comprehensive expenses of HK$76,000) being exchange gain arising on translating foreign operations was recognised with the result that the Group recorded total comprehensive expenses for the year of HK$414,000 compared to total comprehensive income of HK$262,724,000 in the prior year. The profit attributable to owners of the Company was HK$353,000 for the year under review compared to HK$263,149,000 in last year;

OPERATIONS REVIEW (continued)

whereas basic earnings per share were HK0.03 cent compared to HK28.29 cents in the prior year. The decrease in profit attributable to owners of the Company was mainly the combined results of the absence of gains on debts discharged under the Scheme of Arrangement and group reorganisation amounting to HK$227,219,000 and HK$30,589,000 respectively as recorded in the previous year, the decreases in revenue and profit generated from the Group's used semiconductor and computer motherboard products resulting from the drop in demand from customers, and the recognition of provisions for slow-moving inventories and a doubtful debt totalling HK$4,684,000 in the current year. During the year, as part of the Group's treasury management measures, the Group had utilised part of its surplus funds on hand placing time deposits with banks and earned bank interest income of HK$486,000 (2012: HK$757,000), and where considered appropriate, made advances to third parties on short term basis and earned loan interest income of HK$3,307,000 (2012: HK$966,000). The Group's administrative expenses dropped by 36% to HK$8,755,000 (2012: HK$13,627,000) was mainly due to the absence of restructuring costs relating to the Company's resumption exercise in the current year and no further loss on financial guarantee liabilities was incurred by the Group during the current year as the Scheme of Arrangement with creditors of the Company became effective in February 2012.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31 December 2013, the Group had current assets of HK$203,403,000 (2012: HK$192,273,000) comprising bank and cash balances of HK$121,163,000 (2012: HK$81,918,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$39,635,000 (2012: HK$21,949,000), maintained at a healthy level of 5.13 times (2012: 8.76) at the year end. The Group's trade and bill receivables amounted to HK$36,475,000 and dropped by HK$32,500,000 or 47% from last year (2012: HK$68,975,000) primarily due to the slowdown of the Group's business.

During the current year, creditors convertible bonds in the aggregate principal amount of HK$558,000 were converted into approximately 2,790,000 ordinary shares of the Company at a conversion price of HK$0.2 per share, whereas certain creditors convertible bonds with aggregate principal amount of HK$4,164,000 were redeemed by the Company. At the year end, the carrying value and aggregate principal amount of the outstanding creditors convertible bonds was HK$3,265,000 (2012: HK$7,246,000) and HK$3,278,000 (2012: HK$8,000,000) respectively, the creditors convertible bonds were denominated in Hong Kong dollars, interest bearing at 1% per annum and would be matured on 23 February 2014. Subsequent to year end, creditors convertible bonds in the aggregate principal amount of HK$313,000 were converted into approximately 1,567,000 ordinary shares of the Company and creditors convertible bonds in the aggregate principal amount of HK$2,965,000 were redeemed by the Company.

At the year end, the Group's equity attributable to owners of the Company increased by HK$1,251,000 to HK$156,188,000 (2012: HK$154,937,000). The increase in equity attributable to owners of the Company was mainly due to the combined effect of the conversion of the creditors convertible bonds into ordinary shares of the Company and the total comprehensive income earned by the Group during the current year.

FINANCIAL REVIEW (continued)

Liquidity, Financial Resources and Capital Structure (continued)

The Group's gearing ratio represented its total borrowings over the sum of equity attributable to owners of the Company and total borrowings of the Group. At the year end, the Group's borrowings comprised creditors convertible bonds at the carrying value of HK$3,265,000 (2012: HK$7,246,000), as the Group's equity attributable to owners of the Company stood at HK$156,188,000 (2012: HK$154,937,000) the Group's gearing ratio was therefore at a low level of about 2% (2012: 4%).

Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi and US dollars. The Group maintains a prudent strategy in its foreign currency risk management, to a large extent, foreign exchange risks are minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it is considered that the Group's exposure to foreign exchange risks is not significant and no hedging measure has been undertaken by the Group.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2013 (2012: nil).

Pledge of Assets

The Group had no significant assets under pledge as at 31 December 2013 (2012: nil).

Lease Commitments

As at 31 December 2013, the Group had operating lease commitments in respects of rentals for its offices and factory premises of HK$5,726,000 (2012: HK$6,628,000).

Capital Commitments

As at 31 December 2013, the Group had no material capital commitments (2012: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group had about 160 employees including directors (2012: about 120). Total staff costs for the year, including directors' remuneration, was HK$9,910,000 (2012: HK$9,226,000). The Group remunerated its employees based on their performance, experience and prevailing market conditions. Benefits plans provided by the Group include provident fund scheme, medical insurance, subsidised training programme, share option scheme and discretionary bonuses.

The Group made contributions to the Mandatory Provident Fund Scheme for its staff in Hong Kong. The employees of the Company's subsidiaries established in the PRC are members of central pension schemes operated by the local municipal governments.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Sue Ka Lok, *Chairman of the Board and member of the Nomination Committee*

Mr. Sue, aged 48, joined the Company as an Executive Director in February 2012. He was appointed the Chief Executive Officer in March 2012 until his re-designation as the Chairman of the Board in September 2012. Mr. Sue is also a director of several subsidiaries of the Group. He holds a Bachelor of Economics degree from the University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow member of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of CPA Australia, a fellow member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and a member of the Hong Kong Securities Institute. He has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Sue is an executive director and the chief executive officer of Poly Capital Holdings Limited (stock code: 1141) ("Poly Capital") and an executive director of BEP International Holdings Limited (stock code: 2326) ("BEP International"). Mr. Sue is also a non-executive director and the chairman of China Tycoon Beverage Holdings Limited (stock code: 209) ("China Tycoon"). All of the above companies are listed in Hong Kong.

Mr. Lai Ming Wai, *Chief Executive Officer*

Mr. Lai, aged 54, joined the Group in June 2009 responsible for managing the daily operations of the Group's businesses. He was appointed an Executive Director in March 2012 and assumed the additional role as Chief Executive Officer in September 2012. Mr. Lai is also a director of several subsidiaries of the Group. He holds a Bachelor degree in Social Sciences from the University of Hong Kong. Mr. Lai was a senior executive of Bank of America and was primarily responsible for developing and managing the bank's business in southern region of the PRC. He has extensive experience in the banking and finance industry and has strong business network in the consumer electronics appliances sector.

NON-EXECUTIVE DIRECTOR

Mr. Suen Cho Hung, Paul

Mr. Suen, aged 53, joined the Company as an Executive Director in February 2012. He was appointed the Chairman of the Board in March 2012 until his re-designation as a Non-executive Director in September 2012. Mr. Suen is also a director of several subsidiaries of the Group. He holds a Master of Business Administration degree from the University of South Australia. Mr. Suen has extensive experience in managing metal, mineral and raw materials, electrical and electronic consumer products, energy and property business ventures as well as in strategic planning and corporate management of business enterprises in Hong Kong and the PRC. Mr. Suen was a controlling shareholder of the Company as disclosed in the section headed "Interests and Short Positions of Shareholders Discloseable Under the SFO" in the Report of the Directors. Mr. Suen is an executive director and the chairman of both Poly Capital and New Island Development Holdings Limited (formerly known as New Island Printing Holdings Limited) (stock code: 377) ("New Island Development"). Mr. Suen is also a non-executive director of BEP International. All of the above companies are listed in Hong Kong.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sun Ka Ziang, Henry, *Chairman of the Audit Committee and member of the Remuneration Committee and the Nomination Committee*

Mr. Sun, aged 56, joined the Company as an Independent Non-executive Director in February 2012. He holds a Bachelor degree in Economics from Monash University in Australia. Mr. Sun is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. He possesses over 20 years of experience in international finance, corporate finance, corporate planning, financial management and accounting and held executive positions at several international banks, accounting firm, the Hong Kong Airport Authority and an information technology company. Mr. Sun is an independent non-executive director of Zhongda International Holdings Limited (stock code: 909) and has been appointed an independent non-executive director of Get Nice Holdings Limited (stock code: 64) on 28 January 2014. All of the above companies are listed in Hong Kong.

Mr. Chiang Bun, *Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee*

Mr. Chiang, aged 44, joined the Company as an Independent Non-executive Director in February 2012. He holds a Bachelor degree in Social Sciences from the University of Hong Kong and a LL.B. from Peking University. Mr. Chiang is also a Chartered Financial Analyst charter holder. He has held senior roles in various international banks and financial institutions, primarily responsible for structured debt and/or equity financing. Mr. Chiang has extensive experience in the banking and finance industry. Mr. Chiang is an independent non-executive director of Burwill Holdings Limited (stock code: 24), a listed company in Hong Kong.

Ms. Wong Wai Yin, Viola, *Chairman of the Nomination Committee and member of the Audit Committee and the Remuneration Committee*

Ms. Wong, aged 32, joined the Company as an Independent Non-executive Director in February 2012. She holds a Bachelor degree in Information Technology from York University in Canada. Ms. Wong is currently a project manager and has working experience in organisational change management and project management.

SENIOR MANAGEMENT

Ms. Chan Yuk Yee, *Company Secretary*

Ms. Chan, aged 46, joined the Company as Company Secretary in February 2012. She holds a Master of Business Law degree from Monash University in Australia and is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Chan has over 10 years of experience in company secretarial practice. Ms. Chan is also the company secretary of Poly Capital, an executive director and the company secretary of China Tycoon and an executive director of New Island Development. All of the above companies are listed in Hong Kong.

Report of the Directors

The Directors hereby present their report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale of semiconductors and related products; and development and provision of electronic turnkey device solutions. Details of the principal activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 27.

FINAL DIVIDEND

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 80. This summary does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in note 28 and note 30 to the consolidated financial statements respectively.

PRE-EMPTIVE RIGHTS

There is no provision 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 pro-rata basis to existing shareholders.

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

During the year ended 31 December 2013, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 29 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 59% of the total sales for the year and sales to the largest customer accounted for approximately 30%. Purchases from the Group's five largest suppliers accounted for approximately 48% of the total purchases for the year and purchases from the largest supplier accounted for approximately 18%.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the year.

DIRECTORS

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

Executive Directors:

Mr. Sue Ka Lok
Mr. Lai Ming Wai

Non-executive Director:

Mr. Suen Cho Hung, Paul

Independent Non-executive Directors:

Mr. Sun Ka Ziang, Henry
Mr. Chiang Bun
Ms. Wong Wai Yin, Viola

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 14 to the consolidated financial statements.

UPDATES ON DIRECTORS' INFORMATION

The following is updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Sue Ka Lok stepped down from his position as the chief executive officer of BEP International Holdings Limited (stock code: 2326) ("BEP International", a listed company in Hong Kong) with effect from 10 January 2014.

2. Mr. Suen Cho Hung, Paul stepped down from his position as the chairman of BEP International and has been re-designated as a non-executive director of BEP International with effect from 28 January 2014.

3. Mr. Sun Ka Ziang, Henry has been appointed an independent non-executive director of Get Nice Holdings Limited (stock code: 64), a listed company in Hong Kong, on 28 January 2014.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

To the best knowledge of the Directors, none of the Directors had a material interest, either directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Long positions in the shares of the Company:

Name of director	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interest of controlled corporation	750,000,000 *(Note)*	69.93%

Note: These shares were held by Brilliant Capital International Limited ("Brilliant Capital"), which was a wholly-owned subsidiary of Grace Able Limited ("Grace Able") which in turn was wholly owned by Mr. Suen. Mr. Suen is a director of Brilliant Capital and the sole director of Grace Able. Accordingly, Mr. Suen was deemed to be interested in 750,000,000 shares of the Company under the SFO.

Save as disclosed above, as at 31 December 2013, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and in the "Equity-settled share option scheme" disclosure in note 30 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

SHARE OPTION SCHEME

Details of the share option scheme are set out in note 30 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2013, the following interests of more than 5% 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:

Long positions in the shares of the Company:

Name of shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Mr. Suen	Interest of controlled corporation	750,000,000 *(Note)*	69.93%
Grace Able	Interest of controlled corporation	750,000,000 *(Note)*	69.93%
Brilliant Capital	Beneficial owner	750,000,000 *(Note)*	69.93%

Note: These shares were held by Brilliant Capital, which was a wholly-owned subsidiary of Grace Able which in turn was wholly owned by Mr. Suen. Mr. Suen is a director of Brilliant Capital and the sole director of Grace Able. Accordingly, Mr. Suen and Grace Able were deemed to be interested in 750,000,000 shares of the Company under the SFO.

The interests of Mr. Suen, Grace Able and Brilliant Capital in the 750,000,000 shares of the Company referred to in the note above related to the same parcel of shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2013 as required pursuant to section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into the following continuing connected transactions and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules:

As disclosed in the announcement of the Company dated 30 June 2011, Foshan Lianchuang Hualian (previously 52.38% indirectly owned and now 50.21% indirectly owned by the Company), entered into a supply contract (the "Supply Contract") with 廈門華聯電子有限公司 (literally translated as Xiamen Hualian Electronics Company Limited) ("Xiamen Hualian") (which previously owned 47.62% and now own 45.64% equity interest in Foshan Lianchuang Hualian), pursuant to which Foshan Lianchuang Hualian agreed to purchase and Xiamen Hualian agreed to supply raw materials for production of microcontrollers for a term commencing from 24 June 2011 up to 31 December 2013 with an annual cap of RMB5,000,000 (approximately HK$6,000,000) for each of the three financial years ending 31 December 2013.

As disclosed in the announcement of the Company dated 31 December 2013, a supplemental agreement was entered into on 31 December 2013 between Foshan Lianchuang Hualian and Xiamen Hualian for the renewal of the Supply Contract for a term of three years commencing from 1 January 2014 to 31 December 2016 (both dates inclusive) with an annual cap of RMB2,500,000 (approximately HK$3,150,000) for each of the three financial years ending 31 December 2016 and with all other terms and conditions of the Supply Contract remain unchanged.

As Xiamen Hualian was a substantial shareholder of Foshan Lianchuang Hualian, Xiamen Hualian was a connected person of the Company according to the Listing Rules. Total purchases of raw materials from Xiamen Hualian for the year ended 31 December 2013 amounted to RMB321,000 (equivalent to approximately HK$404,000).

These transactions have been reviewed by the Independent Non-executive Directors of the Company, who are satisfied that the above transactions were entered into:

(i) in the ordinary and usual course of business;

(ii) on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than terms available to independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONTINUING CONNECTED TRANSACTIONS (continued)

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and reported their conclusions to the Board that:

(i) nothing has come to auditor's attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

(ii) nothing has come to auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iii) nothing has come to auditor's attention that causes them to believe that the transactions have exceeded the maximum aggregate annual value as disclosed in the Company's announcement dated 30 June 2011.

The related party transactions are set out in note 38 to the consolidated financial statements. Apart from the continuing connected transactions disclosed above, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included provident fund scheme, medical insurance, subsidised training programme, share option scheme as well as discretionary bonuses.

The determination of emoluments of the directors had taken into consideration of their respective responsibilities and contribution to the Company and with reference to market conditions.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this report.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2013 have been reviewed by the Audit Committee of the Company before they are duly approved by the Board under the recommendation of the Audit Committee.

AUDITOR

The consolidated financial statements for the year ended 31 December 2013 have been audited by ZHONGHUI ANDA CPA Limited (formerly known as ANDA CPA Limited).

A resolution will be proposed at the forthcoming AGM to re-appoint ZHONGHUI ANDA CPA Limited (formerly known as ANDA CPA Limited) as auditor of the Company.

On behalf of the Board

Sue Ka Lok
Chairman

Hong Kong, 26 March 2014

Corporate Governance Report

The Board is committed to maintaining high standards of corporate governance practices at all times. The Board believes that good corporate governance helps the Company to safeguard the interests of its shareholders and to enhance the performance of the Group.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2013 except for the following deviation with reason as explained:

Code Provision A.6.7

Code provision A.6.7 of the CG Code stipulates that the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Deviation

Mr. Suen Cho Hung, Paul, a non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 10 June 2013 ("2013 AGM") as he had other important business engagement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the Directors, all of them 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 leadership and control of the Company. The Board reviews and approves the objectives, strategies, direction and policies of the Group, the annual budget, annual and interim results, the management structure of the Company as well as other significant policy and financial matters. The Board has delegated the responsibility of day-to-day operations of the Group to the management of the Company.

As at the date of this annual report, the Board comprises six directors, two of which are Executive Directors, namely Mr. Sue Ka Lok ("Mr. Sue") (Chairman) and Mr. Lai Ming Wai (Chief Executive Officer), one is Non-executive Director, namely Mr. Suen Cho Hung, Paul ("Mr. Suen") and three are Independent Non-executive Directors, namely Mr. Sun Ka Ziang, Henry, Mr. Chiang Bun and Ms. Wong Wai Yin, Viola. The Company has received from each of the independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 8 to 9 of this annual report.

BOARD OF DIRECTORS (continued)

As disclosed in that section, both Mr. Sue and Mr. Suen are executive directors of Poly Capital Holdings Limited of which Mr. Suen is the chairman and a substantial shareholder. Mr. Sue is an executive director of BEP International Holdings Limited of which Mr. Suen is a non-executive director and the controlling shareholder. Mr. Sue is a non-executive director and the chairman of China Tycoon Beverage Holdings Limited of which Mr. Suen is the controlling shareholder.

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the directors. Continuing briefing and professional development for directors are arranged where necessary.

During the year ended 31 December 2013, four regular Board meetings and 2013 AGM were held and the attendance of each director is set out as follows:

	Number of attendance	
Name of director	**Board meetings**	**2013 AGM**
Executive Directors		
Mr. Sue Ka Lok	4/4	1/1
Mr. Lai Ming Wai	4/4	1/1
Non-executive Director		
Mr. Suen Cho Hung, Paul	4/4	0/1
Independent Non-executive Directors		
Mr. Sun Ka Ziang, Henry	4/4	1/1
Mr. Chiang Bun	4/4	1/1
Ms. Wong Wai Yin, Viola	4/4	1/1

CHAIRMAN AND CHIEF EXECUTIVE

The Group adopts a dual leadership structure in which the role of the Chairman is separated from that of the Chief Executive Officer ("CEO"). The Chairman is responsible for overseeing all Board functions, while the executive directors and senior management are under the leadership of the CEO to oversee the day-to-day operations of the Group and implement the strategies and policies approved by the Board.

The position of the Chairman of the Board is currently held by Mr. Sue Ka Lok and the position of the CEO is currently held by Mr. Lai Ming Wai.

NON-EXECUTIVE DIRECTORS

The Non-executive Director and each of the Independent Non-executive Directors of the Company is appointed for a term of twelve-month period which automatically renews for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term.

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Remuneration Committee comprises three members, including three Independent Non-executive Directors, namely Mr. Sun Ka Ziang, Henry, Mr. Chiang Bun and Ms. Wong Wai Yin, Viola. Mr. Chiang Bun is the Chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration; determining the remuneration packages of individual executive directors and senior management and making recommendations to the Board on the remuneration of non-executive directors. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Remuneration Committee met once during the year ended 31 December 2013 to review the remuneration of the directors. The attendance of each member is set out as follows:

Name of member	Number of attendance
Mr. Chiang Bun	1/1
Mr. Sun Ka Ziang, Henry	1/1
Ms. Wong Wai Yin, Viola	1/1

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Nomination Committee comprises four members, including three Independent Non-executive Directors, namely Mr. Sun Ka Ziang, Henry, Mr. Chiang Bun and Ms. Wong Wai Yin, Viola, and one Executive Director, namely Mr. Sue Ka Lok. Ms. Wong Wai Yin, Viola is the Chairman of the Nomination Committee.

The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of directors, evaluation of board composition, assessment of the independence of independent non-executive directors and the management of board succession. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Nomination Committee met two times during the year ended 31 December 2013 to review the structure, size and composition of the Board; assess the independence of the Independent Non-executive Directors of the Company; review and make recommendations to the Board on the re-election of directors. The attendance of each member is set out as follows:

Name of member	Number of attendance
Ms. Wong Wai Yin, Viola	2/2
Mr. Sun Ka Ziang, Henry	2/2
Mr. Chiang Bun	2/2
Mr. Sue Ka Lok	2/2

The Board has adopted a board diversity policy (the "Policy") in September 2013 which sets out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board. Selection of candidates will be based on range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will monitor the implementation of the Policy and will from time to time review the Policy, as appropriate, to ensure the effectiveness of the Policy.

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2013 is set out in the "Independent Auditor's Report" on pages 25 to 26 of this annual report.

For the year ended 31 December 2013, remuneration payable to the Company's auditor, ZHONGHUI ANDA CPA Limited (formerly known as ANDA CPA Limited) ("ZHONGHUI ANDA"), for the provision of audit services was HK$500,000. During the year, HK$68,000 was paid as remuneration to ZHONGHUI ANDA for the provision of non-audit related services including provision of assistance on interim report review.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Sun Ka Ziang, Henry, Mr. Chiang Bun and Ms. Wong Wai Yin, Viola. Mr. Sun Ka Ziang, Henry is the Chairman of the Audit Committee.

The Audit Committee is mainly responsible for assisting the Board in applying financial reporting and internal control principles and in maintaining an appropriate relationship with the Company's auditor. The Audit Committee is also delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Audit Committee met two times during the year ended 31 December 2013 and the attendance of each member is set out as follows:

Name of member	Number of attendance
Mr. Sun Ka Ziang, Henry	2/2
Mr. Chiang Bun	2/2
Ms. Wong Wai Yin, Viola	2/2

The following is a summary of work performed by the Audit Committee during the year:

1. reviewed and discussed the audited financial statements of the Group for the year ended 31 December 2012 and recommended to the Board for approval;

2. reviewed the corporate governance compliance with the CG Code and the disclosure requirements for the corporate governance report;

3. reviewed and considered the terms of the continuing connected transactions;

4. reviewed and discussed the unaudited financial statements of the Group for the six months ended 30 June 2013 and recommended to the Board for approval;

5. reviewed and discussed with the management and auditor of the Company the accounting policies and practices which may affect the Group and the scope of the audit;

6. reviewed the effectiveness of the internal control system of the Group; and

7. reviewed and approved the remuneration and the terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2013.

CORPORATE GOVERNANCE FUNCTIONS

In order to establish the duties and responsibilities of the Board in performing its corporate governance functions, the Board has delegated certain corporate governance functions to the Audit Committee, which include (i) developing and reviewing policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of the directors and senior management; (iii) reviewing and monitoring policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and the directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

INTERNAL CONTROL

The Board recognises its responsibilities for maintaining an adequate system of internal control to safeguard the Group's assets and shareholders' interests. An internal control system, including a defined management structure with limits of authority, is designed to help achieving business objectives, safeguarding assets against unauthorised use, and maintaining proper accounting records for the provision of reliable financial information for internal use and for publication. The internal control system is set up to provide reasonable, but not absolute, assurance against material misstatement of financial statements or loss of assets and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

For the year ended 31 December 2013, the Board conducted a review of the effectiveness of the internal control system of the Group.

COMPANY SECRETARY

Ms. Chan Yuk Yee was appointed the Company Secretary of the Company on 23 February 2012. The biographical details of Ms. Chan are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 8 to 9 of this annual report. Ms. Chan has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2013.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting and putting forward proposals at shareholders' meetings

According to Article 58 of the Company's Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for shareholders to propose a person for election as a director of the Company

If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office in Hong Kong or the Company's branch share registrar in Hong Kong, Tricor Standard Limited, during a period commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such general meeting provided that such period shall be at least seven days.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Company Secretary of the Company at the Company's head office in Hong Kong at Suite 1502, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.sunlinkgroup.com.hk / www.tricor.com.hk/webservice/02336.

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TO THE SHAREHOLDERS OF
SUNLINK INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sunlink International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 27 to 79, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 26 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	7 & 11	**231,191**	334,135
Cost of sales		**(222,835)**	(309,885)
Gross profit		**8,356**	24,250
Other income	8	**4,261**	2,283
Selling and distribution expenses		**(3,524)**	(2,621)
Administrative expenses		**(8,755)**	(13,627)
Impairment loss on a trade receivable	21	**(1,328)**	–
(Loss)/profit from operations		**(990)**	10,285
Finance costs	9	**(430)**	(619)
Gain on debts discharged under the Scheme of Arrangement	10	**–**	227,219
Gain on group reorganisation	10	**–**	30,589
Loss on financial guarantee liabilities	25	**–**	(3,766)
(Loss)/profit before tax		**(1,420)**	263,708
Income tax credit/(expense)	12	**6**	(908)
(Loss)/profit for the year	13	**(1,414)**	262,800
Other comprehensive income/(expenses) for the year, net of tax:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		**1,000**	(76)
Total comprehensive (expenses)/income for the year		**(414)**	262,724
Profit/(loss) for the year attributable to:			
Owners of the Company		**353**	263,149
Non-controlling interests		**(1,767)**	(349)
		(1,414)	262,800
Total comprehensive income/(expenses) for the year attributable to:			
Owners of the Company		**895**	263,106
Non-controlling interests		**(1,309)**	(382)
		(414)	262,724
Earnings per share	18		
Basic (HK cent(s) per share)		**0.03**	28.29
Diluted (HK cent(s) per share)		**0.03**	27.34

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current asset			
Property, plant and equipment	19	**5,842**	5,606
Current assets			
Inventories	20	**41,683**	26,855
Trade and bill receivables	21	**36,475**	68,975
Prepayments, deposits and other receivables		**2,830**	1,883
Short-term loans receivable	22	**–**	12,250
Current tax assets		**1,252**	392
Bank and cash balances		**121,163**	81,918
		203,403	192,273
Current liabilities			
Trade payables	23	**31,501**	14,682
Accruals, other payables and deposits received		**4,567**	3,560
Creditors convertible bonds	26	**3,265**	–
Due to a non-controlling shareholder of a subsidiary	24	**302**	2,694
Current tax liabilities		**–**	1,013
		39,635	21,949
Net current assets		**163,768**	170,324
Total assets less current liabilities		**169,610**	175,930
Non-current liabilities			
Creditors convertible bonds	26	**–**	7,246
Deferred tax liabilities	27	**2**	124
		2	7,370
NET ASSETS		**169,608**	168,560
Capital and reserves			
Share capital	28	**10,725**	10,697
Reserves	29	**145,463**	144,240
Equity attributable to owners of the Company		**156,188**	154,937
Non-controlling interests		**13,420**	13,623
TOTAL EQUITY		**169,608**	168,560

The consolidated financial statements on pages 27 to 79 are approved and authorised for issue by the Board of Directors on 26 March 2014 and are signed on its behalf by:

Sue Ka Lok	**Lai Ming Wai**
Director	*Director*

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

		Attributable to owners of the Company									
	Notes	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Creditors convertible bonds reserve HK$'000	Statutory reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	(Deficiency of total equity)/ total equity HK$'000
At 1 January 2012		186,478	15,409	(64,907)	–	89	321	(440,685)	(303,295)	16,021	(287,274)
Total comprehensive (expenses)/income for the year		–	–	–	–	–	(43)	263,149	263,106	(382)	262,724
Capital restructuring	28 (i)	(185,546)	(15,409)	–	–	–	–	200,955	–	–	–
Share subscription	28 (ii)	7,500	142,500	–	–	–	–	–	150,000	–	150,000
Transaction costs related to the share subscription	28 (ii)	–	(75)	–	–	–	–	–	(75)	–	(75)
Open offer	28 (iii)	1,865	35,431	–	–	–	–	–	37,296	–	37,296
Transaction costs related to the open offer	28 (iii)	–	(1,150)	–	–	–	–	–	(1,150)	–	(1,150)
Issue of shares to creditors	28 (iv)	400	7,600	–	–	–	–	–	8,000	–	8,000
Issue of creditors convertible bonds	26	–	–	–	1,264	–	–	–	1,264	–	1,264
Deferred tax arising from issue of creditors convertible bonds	27	–	–	–	(209)	–	–	–	(209)	–	(209)
Group reorganisation	10	–	–	64,907	–	–	–	(64,907)	–	–	–
Dividend paid to non-controlling interests by a subsidiary		–	–	–	–	–	–	–	–	(2,016)	(2,016)
At 31 December 2012		10,697	184,306	–	1,055	89	278	(41,488)	154,937	13,623	168,560
At 1 January 2013		10,697	184,306	–	1,055	89	278	(41,488)	154,937	13,623	168,560
Total comprehensive income/(expense) for the year		–	–	–	–	–	542	353	895	(1,309)	(414)
Conversion of creditors convertible bonds	26	28	559	–	(74)	–	–	–	513	–	513
Transaction costs related to conversion of creditors convertible bonds		–	(6)	–	–	–	–	–	(6)	–	(6)
Redemption of creditors convertible bonds	26	–	–	–	(549)	–	–	240	(309)	–	(309)
Capital injection by a non-controlling shareholder of a subsidiary	32	–	–	–	–	–	–	–	–	1,264	1,264
Gain on deemed disposal of subsidiaries	31 & 32	–	–	–	–	–	–	2	2	(2)	–
Gain on an equity transaction with a non-controlling shareholder of a subsidiary	33	–	–	–	–	–	–	156	156	(156)	–
At 31 December 2013		**10,725**	**184,859**	**–**	**432**	**89**	**820**	**(40,737)**	**156,188**	**13,420**	**169,608**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
(Loss)/profit before tax		**(1,420)**	263,708
Adjustments for:			
Depreciation	13	**919**	677
Loss on financial guarantee liabilities	25	**–**	3,766
Gain on debts discharged under the Scheme of Arrangement	10	**–**	(227,219)
Gain on group reorganisation	10	**–**	(30,589)
Bank interest income	8	**(486)**	(757)
Interest income from short-term loans receivable	8	**(3,307)**	(966)
Finance costs	9	**430**	619
Impairment loss on a trade receivable	13	**1,328**	–
Write down of inventories	13	**3,356**	–
Operating cash flows before working capital changes		**820**	9,239
Change in inventories		**(18,184)**	(3,058)
Change in trade and bill receivables		**31,179**	11,020
Change in prepayments, deposits and other receivables		**(947)**	1,577
Change in trade payables		**16,819**	(26,806)
Change in accruals, other payables and deposits received		**1,046**	(17,857)
Change in amount due to a non-controlling shareholder of a subsidiary		**(2,392)**	306
Cash generated from/(used in) operations		**28,341**	(25,579)
Income taxes paid		**(1,989)**	(3,097)
Net cash generated from/(used in) operating activities		**26,352**	(28,676)
Cash flows from investing activities			
Bank interest received	8	**486**	757
Interest received from short-term loans receivable	8	**3,307**	966
Net cash inflow/(outflow) on investment in short-term loans receivable		**12,250**	(12,250)
Purchase of property, plant and equipment	19	**(970)**	(2,235)
Net cash generated from/(used in) investing activities		**15,073**	(12,762)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from financing activities			
Transaction costs for conversion of creditors convertible bonds		**(6)**	–
Payment for redemption of creditors convertible bonds	*26*	**(4,164)**	–
Interest paid for creditors convertible bonds		**(82)**	–
Capital injection by a non-controlling shareholder of a subsidiary	*32*	**1,264**	–
Net proceeds from the share subscription	*28 (ii)*	**–**	149,925
Net proceeds from the open offer	*28 (iii)*	**–**	36,146
Repayment of loans from the Investor *(note 1)*		**–**	(28,000)
Cash outflow for discharging debts under the Scheme of Arrangement	*10*	**–**	(43,000)
Dividend paid to non-controlling interests by a subsidiary		**–**	(2,016)
Net cash (used in)/generated from financing activities		**(2,988)**	113,055
Net increase in cash and cash equivalents		**38,437**	71,617
Effect of change in foreign exchange rate		**808**	(64)
Cash and cash equivalents at beginning of year		**81,918**	10,365
Cash and cash equivalents at end of year		**121,163**	81,918
Analysis of cash and cash equivalents			
Bank and cash balances		**121,163**	81,918

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Sunlink International Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies. The Company's principal office is at Suite 1502, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries (together with the Company, the "Group") are principally engaged in the (i) sale of semiconductors and related products; and (ii) development and provision of electronic turnkey device solutions. The principal activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

In the opinion of the directors (the "Director(s)") of the Company, as at the date of issue of these consolidated financial statements, Grace Able Limited ("Grace Able"), which wholly owns Brilliant Capital International Limited (the "Investor" and now the "Controlling Shareholder"), which is a company incorporated in the British Virgin Islands, is the ultimate holding company. Both Grace Able and the Controlling Shareholder do not produce financial statements available for public use.

2. BASIS OF PREPARATION

Completion of the restructuring of the Group and resumption of trading in the shares of the Company

Trading in the shares of the Company was suspended on the Main Board of the Stock Exchange at the request of the Company on 2 December 2008 after the winding up petition against the Company was presented to the High Court of Hong Kong Special Administrative Region (the "High Court") on 1 December 2008. On 24 December 2008, the High Court appointed Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai, both of Ernst & Young Transactions Limited as the joint and several provisional liquidators (the "Provisional Liquidators") of the Company to take control and possession of the assets of the Company.

Since then, the Provisional Liquidators had commenced the implementation of the proposed restructuring of the Company. On 11 May 2009, an exclusivity agreement was entered into amongst the Investor, Mr. Suen Cho Hung, Paul (now a Non-executive Director of the Company), the Company and the Provisional Liquidators (the "Parties") to grant to the Investor an exclusivity to prepare and submit a resumption proposal to the Stock Exchange with the view to resume trading of the Company's shares.

2. BASIS OF PREPARATION (continued)

Completion of the restructuring of the Group and resumption of trading in the shares of the Company (continued)

After entering into the exclusivity agreement, with the assistance of the Investor, the Group had established certain special purpose vehicles to re-activate the sale of semiconductors and related products business and development and provision of electronic turnkey device solutions business. In addition, in June 2011, the Group completed a capital injection agreement pursuant to which Global Winner Enterprises Limited ("Global Winner"), a subsidiary of the Company, became interested in 52.38% of the registered capital of 佛山聯創華聯電子有限公司 (literally translated as Foshan Lianchuang Hualian Electronics Company Limited) ("Foshan Lianchuang Hualian"). Through this capital injection, the Group further expanded its development and provision of electronic turnkey device solutions business.

On 30 September 2011, a formal restructuring agreement (the "Restructuring Agreement", details of the Restructuring Agreement were set out in the circular of the Company dated 23 December 2011) was entered into amongst the Parties to implement the proposed restructuring of the Company which included, inter alia, (i) capital restructuring; (ii) open offer; (iii) subscription of new shares; (iv) issue of shares to creditors; (v) issue of creditors convertible bonds; (vi) implementation of the scheme of arrangement with creditors of the Company (the "Scheme of Arrangement", details of the Scheme of Arrangement were set out in the circular of the Company dated 23 December 2011); and (vii) group reorganisation. On 23 February 2012, the proposed restructuring was completed. On 24 February 2012, the Provisional Liquidators were discharged and the petition for winding-up of the Company was dismissed by the High Court. Upon the grant from the Stock Exchange, trading in the shares of the Company was resumed on 28 February 2012.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years except as stated below.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income of the Group.

HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group's subsidiaries in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate to their respective fair values.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the Directors of the Company to exercise their judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation (continued)

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

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

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

c) Translation on consolidation (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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. All other repairs and maintenance are recognised in consolidated profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Machinery	9.6%
Computer & office equipment	9.6% – 20%
Motor vehicles	9.6%
Leasehold improvement	20% or over the unexpired terms of the lease, if less than 5 years

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in consolidated profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditures, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that has been recognised in other comprehensive income is recognised in consolidated profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in consolidated profit or loss.

Trade and other receivables

Trade and other receivables (including short-term loans receivable) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in consolidated profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables (continued)

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

– the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in the profit or loss on a straight-line basis over the terms of the guarantee contracts.

Creditors convertible bonds

Creditors convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the creditors convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity, net of income tax effects as reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Creditors convertible bonds (continued)

Transaction costs are apportioned between the liability and equity components of the creditors convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Employee benefits

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to consolidated profit or loss represents contributions payable by the Group to the funds.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Taxation

Income tax represents the sum of the current tax and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences 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)

Taxation (continued)

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in consolidated profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

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

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

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

- (i) The entity and the Company 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;

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(B) (continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 the key management personnel of the entity (or of a parent of the entity).

Segment reporting

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

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

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

If the recoverable amount 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 immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

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

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

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. KEY ESTIMATES

Key sources of estimation uncertainty

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

a) *Property, plant and equipment and depreciation*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

b) *Impairment loss for bad and doubtful debts*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

c) *Allowance for slow-moving inventories*

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities or United States dollars for Hong Kong dollars functional currency group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2013 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and bill receivables, other receivables, short-term loans receivable and bank and cash balances. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

6. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

The maturity analysis of the Group's financial liabilities is as follows:

	Weighted average interest rate %	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2013					
Trade payables	–	31,501	–	31,501	31,501
Other payables	–	222	–	222	222
Due to a non-controlling shareholder of a subsidiary	–	302	–	302	302
Creditors convertible bonds	1%	3,278	–	3,278	3,265
		35,303	–	35,303	35,290
At 31 December 2012					
Trade payables	–	14,682	–	14,682	14,682
Other payables	–	295	–	295	295
Due to a non-controlling shareholder of a subsidiary	–	2,694	–	2,694	2,694
Creditors convertible bonds	1%	80	8,012	8,092	7,246
		17,751	8,012	25,763	24,917

d) Interest rate risk

At 31 December 2013, the Group did not have significant interest rate risk. The Group's creditors convertible bonds bear interests at a fixed interest rate and therefore are subject to fair value interest rate risks.

e) Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate to their respective fair values.

7. TURNOVER

The Group's turnover is as follows:

	2013 **HK$'000**	2012 *HK$'000*
Sale of semiconductors and related products	**185,980**	263,661
Development and provision of electronic turnkey device solution products	**45,211**	70,474
	231,191	334,135

8. OTHER INCOME

	2013 **HK$'000**	2012 *HK$'000*
Bank interest income	**486**	757
Interest income from short-term loans receivable	**3,307**	966
Sundry income	**468**	560
	4,261	2,283

9. FINANCE COSTS

	2013 **HK$'000**	2012 *HK$'000*
Interest expenses on:		
Loans from the Investor under the working capital facility and the additional working capital facility	**–**	41
Creditors convertible bonds *(note 26)*	**430**	578
	430	619

10. GAIN ON DEBTS DISCHARGED UNDER THE SCHEME OF ARRANGEMENT/GROUP REORGANISATION

Gain on debts discharged under the Scheme of Arrangement

On 23 February 2012, the majority of the scheme creditors approved the Scheme of Arrangement under which all indebtedness owed by the Company to the scheme creditors on the date for determination of entitlement of such scheme creditors were released, discharged and fully settled.

The Scheme of Arrangement was sanctioned by the Grand Court of the Cayman Islands (the "Grand Count") and the High Court on 19 January 2012 and 2 February 2012, respectively. The total indebtedness admitted by the scheme administrators under the Scheme of Arrangement was discharged and settled in full by way of a combination of cash payment of HK$43,000,000, issuance of 40,000,000 Company's shares at the issue price of HK$0.20 per share with the par value of HK$0.01 each, and issuance of creditors convertible bonds in the aggregate principal amount of HK$8,000,000. As a result, a gain on debts discharged under the Scheme of Arrangement of approximately HK$227,219,000 was recognised during the year ended 31 December 2012, being calculated as follows:

	2012 *HK$'000*
Debts discharged:	
Financial guarantee liabilities *(note 25)*	285,007
Current tax liabilities	60
Due to deconsolidated subsidiaries	679
Accruals, other payables and deposits received	473
	286,219
Satisfied by:	
Cash consideration	(43,000)
Issue of shares to creditors	(8,000)
Issue of creditors convertible bonds	(8,000)
	(59,000)
Gain on debts discharged under the Scheme of Arrangement	227,219

Gain on group reorganisation

On 23 February 2012, the Group completed the Restructuring Agreement pursuant to which Sunlink Technologies Holdings Limited (the former immediate subsidiary of the Company) together with its subsidiaries and associate were transferred out of the Group to the nominee of the administrators of the Scheme of Arrangement.

10. GAIN ON DEBTS DISCHARGED UNDER THE SCHEME OF ARRANGEMENT/GROUP REORGANISATION (continued)

Gain on group reorganisation (continued)

	2012
	HK$'000
Net liabilities at the date of deconsolidation were as follows:	
Accruals, other payables and deposits received	(2,330)
Current tax liabilities	(1,528)
Due to deconsolidated subsidiaries	(26,731)
	(30,589)
Gain on group reorganisation	30,589
Total consideration satisfied by cash	–
Net cash effect arising on group reorganisation	–

As a result of the group reorganisation, the special reserve included in the consolidated statement of changes in equity of approximately HK$64,907,000 was transferred to the accumulated losses of the Company during the year ended 31 December 2012.

11. SEGMENT INFORMATION

The Group has two reportable segments as follows:

- Sale of semiconductors and related products
- Development and provision of electronic turnkey device solutions

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately for the purpose of resources allocation and performance assessment.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include intercompanies income and expenses, unallocated corporate other income, unallocated corporate expenses, gain on debts discharged under the Scheme of Arrangement and on group reorganisation, loss on financial guarantee liabilities, finance costs and income tax credit and expense. Segment assets do not include intercompanies assets and unallocated corporate assets. Segment liabilities do not include intercompanies liabilities and unallocated corporate liabilities.

11. SEGMENT INFORMATION (continued)

Information about reportable segment profits or losses, assets and liabilities:

	Sale of semiconductors and related products		Development and provision of electronic turnkey device solutions		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Years ended 31 December						
Revenue from external customers	**185,980**	263,661	**45,211**	70,474	**231,191**	334,135
Segment profit/(loss) before finance costs and income tax credit and expense	**3,523**	12,746	**(3,827)**	2,827	**(304)**	15,573
Bank interest income	**452**	678	**34**	79	**486**	757
Interest expense on loans from the Investor	**–**	(41)	**–**	–	**–**	(41)
Depreciation	**(32)**	(24)	**(887)**	(653)	**(919)**	(677)
Income tax expense	**(2)**	(737)	**(16)**	(256)	**(18)**	(993)
Impairment loss on a trade receivable	**–**	–	**1,328**	–	**1,328**	–
Write down of inventories	**202**	–	**3,154**	–	**3,356**	–
Capital expenditure	**11**	126	**959**	2,109	**970**	2,235
As at 31 December						
Segment assets	**152,397**	128,026	**56,123**	57,291	**208,520**	185,317
Segment liabilities	**18,316**	6,778	**17,830**	14,925	**36,146**	21,703

11. SEGMENT INFORMATION (continued)

Reconciliations of reportable segment profits or losses, assets and liabilities are as follows:

	2013 HK$'000	2012 HK$'000
Profit or loss		
Total profit or loss of reportable segments	**(304)**	15,573
Unallocated amounts:		
Unallocated corporate other income	**3,524**	1,266
Unallocated corporate expenses	**(4,210)**	(6,554)
(Loss)/profit from operations	**(990)**	10,285
Finance costs	**(430)**	(619)
Gain on debts discharged under the Scheme of Arrangement	**–**	227,219
Gain on group reorganisation	**–**	30,589
Loss on financial guarantee liabilities	**–**	(3,766)
(Loss)/profit before tax	**(1,420)**	263,708

	2013 HK$'000	2012 HK$'000
Assets		
Total assets of reportable segments	**208,520**	185,317
Unallocated corporate assets	**725**	12,562
Total assets	**209,245**	197,879

	2013 HK$'000	2012 HK$'000
Liabilities		
Total liabilities of reportable segments	**36,146**	21,703
Unallocated corporate liabilities	**3,491**	7,616
Total liabilities	**39,637**	29,319

11. SEGMENT INFORMATION (continued)

Geographical information:

	Turnover		Non-current asset	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**185,980**	291,715	**96**	118
The People's Republic of China (the "PRC") except Hong Kong	**45,211**	42,420	**5,746**	5,488
Total	**231,191**	334,135	**5,842**	5,606

In presenting the geographical information, turnover is based on the locations where the sales are taken place.

Revenue from major customers contributing over 10% of the total turnover of the Group are as follows:

	2013	2012
	HK$'000	*HK$'000*
Sale of semiconductors and related products		
Customer A	**69,790**	49,576
Customer B	**–**	64,195
Customer C	**–**	62,340

12. INCOME TAX (CREDIT)/EXPENSE

	2013 **HK$'000**	2012 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**112**	891
Under/(over)-provision in prior years	**4**	(169)
	116	722
Current tax – Corporate Income Tax in the PRC		
Under-provision in prior year	**–**	271
Deferred tax *(note 27)*	**(122)**	(85)
	(6)	908

Hong Kong Profits Tax has been provided at a rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year ended 31 December 2013.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

12. INCOME TAX (CREDIT)/EXPENSE (continued)

The reconciliation between the income tax (credit)/expense and the (loss)/profit before tax is as follows:

	2013	2012
	HK$'000	*HK$'000*
(Loss)/profit before tax	**(1,420)**	263,708
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	**(234)**	43,512
Tax effect of expenses that are not deductible	**619**	629
Tax effect of income that is not taxable	**(76)**	(42,661)
Under-provision in prior years	**4**	102
Tax effect of tax loss not recognised	**136**	126
Effect of utilisation of tax loss previously not recognised	**(484)**	(797)
Effect of different tax rates of subsidiaries	**29**	9
Others	**–**	(12)
	(6)	908

13. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging the following:

	2013	2012
	HK$'000	*HK$'000*
Auditor's remuneration	**535**	488
Staff costs including directors' remuneration		
Salaries, bonus and allowances	**9,520**	8,761
Retirement benefits scheme contributions	**390**	465
	9,910	9,226
Cost of inventories sold	**222,404**	307,924
Depreciation	**919**	677
Impairment loss on a trade receivable *(note 21)*	**1,328**	–
Write down of inventories	**3,356**	–
Operating lease charges on land and buildings	**2,240**	2,346

Cost of inventories sold included staff costs, depreciation and operating lease charges totalling approximately HK$6,219,000 (2012: HK$6,118,000) which are included in the amounts disclosed separately above.

14. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATIONS AND THE FIVE HIGHEST PAID INDIVIDUALS

The remunerations of each director are as follows:

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Discretionary bonus *HK$'000*	Share-based payments *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Name of directors						
Sue Ka Lok	**–**	**588**	**–**	**–**	**29**	**617**
Lai Ming Wai	**–**	**392**	**–**	**–**	**20**	**412**
Suen Cho Hung, Paul	**96**	**–**	**–**	**–**	**–**	**96**
Sun Ka Ziang, Henry	**72**	**–**	**–**	**–**	**–**	**72**
Chiang Bun	**72**	**–**	**–**	**–**	**–**	**72**
Wong Wai Yin, Viola	**72**	**–**	**–**	**–**	**–**	**72**
Total for 2013	**312**	**980**	**–**	**–**	**49**	**1,341**

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Discretionary bonus *HK$'000*	Share–based payments *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Name of directors						
Sue Ka Lok	–	463	–	–	21	484
Lai Ming Wai	–	299	–	–	15	314
Suen Cho Hung, Paul	29	63	–	–	3	95
Sun Ka Ziang, Henry	60	–	–	–	–	60
Chiang Bun	60	–	–	–	–	60
Wong Wai Yin, Viola	60	–	–	–	–	60
Tso Shiu Kei, Vincent	9	–	–	–	–	9
Young Meng Cheung, Andrew	9	–	–	–	–	9
Poon Ka Lee, Barry	9	–	–	–	–	9
Total for 2012	236	825	–	–	39	1,100

14. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATIONS AND THE FIVE HIGHEST PAID INDIVIDUALS (continued)

The five highest paid individuals in the Group during the year included 2 (2012: 2) directors whose remunerations are reflected in the analysis presented above. The remunerations of the remaining 3 (2012: 3) individuals are set out below:

	2013	2012
	HK$'000	*HK$'000*
Basic salaries and allowances	**739**	718
Retirement benefit scheme contributions	**37**	35
	776	753

The remunerations fell within the following band:

	2013 Number of individuals	2012 Number of individuals
Nil – HK$1,000,000	**3**	3

During the year, no remunerations were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

For the year ended 31 December 2013, the remunerations of senior management (as disclosed in the section headed "Biographical Details of Directors and Senior Management") is disclosed by band as follows:

	2013 Number of individual	2012 Number of individual
Nil – HK$1,000,000	**1**	1

15. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme are to meet the required contributions under the scheme.

16. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit for the year attributable to owners of the Company included a profit of approximately HK$2,251,000 (2012: HK$227,856,000) which has been dealt with in the financial statements of the Company.

17. DIVIDENDS

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

18. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of calculating basic earnings per share	**353**	263,149
Finance costs saving on conversion of creditors convertible bonds outstanding	**430**	578
Deferred tax relating to creditors convertible bonds	**(122)**	(85)
Earnings for the purpose of calculating diluted earnings per share	**661**	263,642

	2013	2012
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,072,102**	930,287
Effect of dilutive potential ordinary shares arising from creditors convertible bonds outstanding	**37,615**	34,098
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,109,717**	964,385

The weighted average number of ordinary shares for the year ended 31 December 2012 for the purpose of calculating the basic earnings per share had been adjusted to account for the effect of the share consolidation and open offer of the Company (note 28 (i) and 28(iii)) conducted during the year ended 31 December 2012.

The basic and diluted earnings per share for the year ended 31 December 2013 are the same as conversion of creditors convertible bonds would increase the earnings per share, therefore, anti-dilutive.

19. PROPERTY, PLANT AND EQUIPMENT

	Machinery HK$'000	Computer & office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Total HK$'000
Cost					
At 1 January 2012	2,748	440	743	431	4,362
Additions	2,062	173	–	–	2,235
Exchange differences	(10)	(1)	(2)	(1)	(14)
At 31 December 2012 and 1 January 2013	4,800	612	741	430	6,583
Additions	938	32	–	–	970
Exchange differences	166	16	25	14	221
At 31 December 2013	**5,904**	**660**	**766**	**444**	**7,774**
Accumulated depreciation					
At 1 January 2012	183	40	8	71	302
Charge for the year	425	58	48	146	677
Exchange differences	(1)	–	–	(1)	(2)
At 31 December 2012 and 1 January 2013	607	98	56	216	977
Charge for the year	622	97	50	150	919
Exchange differences	23	3	2	8	36
At 31 December 2013	**1,252**	**198**	**108**	**374**	**1,932**
Carrying amount					
At 31 December 2013	**4,652**	**462**	**658**	**70**	**5,842**
At 31 December 2012	4,193	514	685	214	5,606

20. INVENTORIES

	2013 HK$'000	2012 HK$'000
Raw materials	5,764	6,124
Work in progress	1,301	1,901
Finished goods	34,618	18,830
	41,683	26,855

21. TRADE AND BILL RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade and bills receivables	37,810	68,975
Less: Impairment loss recognised *(note 13)*	(1,328)	–
Exchange difference	(7)	–
	36,475	68,975

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 15 to 120 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management.

The aging analysis of trade and bill receivables, based on the invoice date, and net of allowance, is as follows:

	2013 HK$'000	2012 HK$'000
30 days or less	20,822	33,010
31 days to 60 days	11,628	10,662
61 days to 90 days	1,577	6,392
91 days to 120 days	882	1,598
Over 120 days	1,566	17,313
	36,475	68,975

The balance of trade and bill receivables included an amount of approximately HK$3,136,000 (2012: HK$873,000) in relation to bill receivables as at 31 December 2013.

21. TRADE AND BILL RECEIVABLES (continued)

As at 31 December 2013, trade and bill receivables of approximately HK$1,566,000 (2012: HK$17,313,000) were past due but not impaired. These related to a number of independent customers with no recent history of default. The aging analysis of these trade receivables is as follows:

	2013 HK$'000	2012 HK$'000
Over 120 days	1,566	17,313

The carrying amounts of the Group's trade and bill receivables are denominated in the following currency:

	2013 HK$'000	2012 HK$'000
US dollars	13,389	52,088
Renminbi	23,086	16,887
	36,475	68,975

Movement of impairment loss recognised:

	2013 HK$'000	2012 HK$'000
Balance at beginning of the year	–	–
Impairment loss recognised during the year	1,328	–
Exchange difference	7	–
Balance at end of the year	1,335	–

22. SHORT-TERM LOANS RECEIVABLE

	2013 **HK$'000**	2012 HK$'000
Loans receivable	**–**	12,250

During the year ended 31 December 2013, the range of effective interest rates (which are equal to contractual interest rates) charged on the Group's loans receivable is 24% to 36% (2012: 12% to 36%) per annum.

The loans receivable as at 31 December 2012, which were recoverable within one year, were neither past due nor impaired.

23. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2013 **HK$'000**	2012 HK$'000
30 days or less	**25,527**	9,675
31 days to 60 days	**3,137**	2,372
61 days to 90 days	**1,143**	916
91 days to 120 days	**731**	557
Over 120 days	**963**	1,162
	31,501	14,682

The carrying amounts of the Group's trade payables are denominated in the following currency:

	2013 **HK$'000**	2012 HK$'000
US dollars	**15,549**	4,571
Renminbi	**15,952**	10,111
	31,501	14,682

24. DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount due to a non-controlling shareholder of a subsidiary is arising from the purchase of raw materials from the non-controlling shareholder of a subsidiary. It is unsecured, non-interest bearing and has credit period of not less than 90 days.

25. FINANCIAL GUARANTEE LIABILITIES

The Company provided corporate guarantees for all the bank loans and certain payables maintained by its former subsidiaries which were deconsolidated from the consolidated financial statements of the Group since 1 July 2008, details of the deconsolidation were disclosed in notes 2 and 10 to the consolidated financial statements of the Company for the year ended 31 December 2008. During the year ended 31 December 2013, there was no loss on financial guarantee liabilities charged to the consolidated profit or loss (2012: approximately HK$3,766,000). The Company was liable to financial guarantee liabilities of approximately HK$285,007,000 immediately before completion of the Scheme of Arrangement. These liabilities of the Company had been discharged under the Scheme of Arrangement of the Company which became effective on 23 February 2012.

26. CREDITORS CONVERTIBLE BONDS

Upon the coming into effect of the Scheme of Arrangement on 23 February 2012, the creditors convertible bonds in the aggregate principal amount of HK$8,000,000, convertible into 40,000,000 ordinary shares of the Company at the initial conversion price of HK$0.20 per share, were issued by the Company to the nominee of the scheme administrators of the Scheme of Arrangement. The creditors convertible bonds would be matured on 23 February 2014 and were interest bearing at 1% per annum.

The effective interest rate used to estimate the liability component of the creditors convertible bonds is 10.12% per annum.

In March 2013, certain creditors convertible bond holders had exercised their conversion options and converted creditors convertible bonds in the aggregate principal amount of approximately HK$558,000 into approximately 2,790,000 ordinary shares of the Company (note 28), whereas in March and May 2013, certain creditors convertible bonds in the aggregate principal amount of approximately HK$4,164,000 were redeemed by the Company with the consideration paid being allocated to the liability and equity components of such creditors convertible bonds as to approximately HK$3,506,000 (excluding the gain on redemption of the creditors convertible bonds of approximately HK$349,000) and HK$658,000 (before net-off deferred tax liability of approximately HK$109,000) respectively by using the same method as adopted on initial recognition of such creditors convertible bonds. The amount of consideration allocated to the equity component of such creditors convertible bonds was recognised in equity. As at 31 December 2013, the aggregate principal amount of creditors convertible bonds outstanding was approximately HK$3,278,000.

26. CREDITORS CONVERTIBLE BONDS (continued)

Subsequent to the year end date, creditors convertible bonds in the aggregate principal amount of approximately HK$313,000 were converted into approximately 1,567,000 ordinary shares of the Company and creditors convertible bonds in the aggregate principal amount of approximately HK$2,965,000 were redeemed by the Company.

The nominal value of creditors convertible bonds issued have been split between the liability component and equity component as follows:

	HK$'000
Nominal value of creditors convertible bonds issued	8,000
Equity component	(1,264)
Liability component at date of issue	6,736
Interest charged for the year ended 31 December 2012 calculated at an effective interest rate of 10.12% per annum	578
Interest payable for the year ended 31 December 2012	(68)
Liability component at 31 December 2012 and 1 January 2013	7,246
Interest charged for the year ended 31 December 2013 calculated at an effective interest rate of 10.12% per annum *(note 9)*	430
Interest payable for the year ended 31 December 2013	(43)
Conversion of creditors convertible bonds	(513)
Redemption of creditors convertible bonds	(3,855)
Liability component at 31 December 2013	**3,265**

The carrying amount of the creditors convertible bonds approximates to their fair values. The fair values have been determined by using discounted cash flow method at the market interest rate (level 2 fair value measurement under HKFRS 13).

27. DEFERRED TAX

Deferred tax liability

The following is the major deferred tax liability recognised by the Group and its movement during the years:

	2013	2012
	HK$'000	*HK$'000*
At 1 January	**124**	–
Issue of creditors convertible bonds	**–**	209
Credited to the consolidated profit or loss *(note 12)*	**(122)**	(85)
At 31 December	**2**	124

Deferred tax asset

At the end of the reporting period, the Group has unused tax losses of approximately HK$937,000 (2012: approximately HK$3,279,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses are losses of approximately HK$527,000 (2012: approximately HK$1,262,000) that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

28. SHARE CAPITAL

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to shareholders through the optimisation of debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

28. SHARE CAPITAL (continued)

	2013 *HK$'000*	2012 *HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each *(note (i))*	**100,000**	100,000
Issued and fully paid:		
1,072,507,275 ordinary shares of HK$0.01 each (2012: 1,069,717,000 ordinary shares of HK$0.01 each)	**10,725**	10,697

Movement of the number of shares issued and the share capital during the years are as follows:

	Number of shares issued *'000*	**Share capital** *HK$'000*
At 1 January 2012	1,864,780	186,478
Capital restructuring *(note (i))*	(1,771,541)	(185,546)
	93,239	932
Share subscription *(note (ii))*	750,000	7,500
Open offer *(note (iii))*	186,478	1,865
Issue of shares to creditors *(note (iv))*	40,000	400
At 31 December 2012 and 1 January 2013	1,069,717	10,697
Issue of shares upon conversion of creditors convertible bonds *(note (v))*	2,790	28
At 31 December 2013	**1,072,507**	**10,725**

Notes:

(i) The capital restructuring of the Company took place on 20 January 2012 comprised the following:

Capital reduction

The capital reduction involved a reduction of the par value of each share from HK$0.10 each to HK$0.0005 each which gave rise to a credit of approximately HK$185,546,000 on the basis of 1,864,780,000 shares then in issue. Such credit was permitted by the Companies Law of the Cayman Islands to set off part of the accumulated losses of the Company.

28. SHARE CAPITAL (continued)

Notes: (continued)

(i) (continued)

Capital cancellation

Immediately following the capital reduction, the remaining authorised but unissued share capital of the Company of 1,135,220,000 unissued shares of par value of HK$0.10 each amounting to an aggregate of HK$113,522,000 was cancelled in its entirety resulting in the authorised and issued share capital of the Company being reduced to HK$932,390, divided into 1,864,780,000 shares of par value of HK$0.0005 each.

Share consolidation

The share consolidation was implemented to consolidate every 20 issued shares of par value of HK$0.0005 each into one share of par value of HK$0.01 each. As a result, 1,864,780,000 issued shares of the Company were consolidated into 93,239,000 shares of HK$0.01 each.

Share premium cancellation

The entire amount of approximately HK$15,409,000 standing to the credit of the share premium account of the Company as at 31 December 2011 was cancelled and applied to set off part of the accumulated losses of the Company as at 31 December 2011 permitted by the Companies Law of the Cayman Islands.

Increase in authorised share capital

The authorised share capital of the Company was increased from HK$932,390 to HK$100,000,000 by the creation of 9,906,761,000 new shares of HK$0.01 each.

(ii) Share subscription

Completion of the share subscription took place on 23 February 2012 pursuant to which 750,000,000 subscription shares were issued to the Investor (now the Controlling Shareholder of the Company) at the subscription price of HK$0.20 per subscription share with par value of HK$0.01 each. Accordingly, the Company's issued share capital was increased by HK$7,500,000 and its share premium account was increased by HK$142,500,000. The transaction costs related to the share subscription was approximately HK$75,000.

(iii) Open offer

Completion of the open offer took place on 23 February 2012 pursuant to which 186,478,000 offer shares were issued under the open offer on the basis of two offer shares for every one share held by the qualifying shareholders after completion of the capital restructuring at the subscription price of HK$0.20 per offer share with par value of HK$0.01 each. Accordingly, the Company's issued share capital was increased by approximately HK$1,865,000 and its share premium account was increased by approximately HK$35,431,000. The transaction costs related to the open offer was approximately HK$1,150,000.

(iv) Issue of shares to creditors

The Scheme of Arrangement with the Company's creditors became effective on 23 February 2012 upon the sanction by the Grand Court and the High Court held on 19 January 2012 and 2 February 2012 respectively, pursuant to which 40,000,000 Company's shares were issued to the nominee of the scheme administrators of the Scheme of Arrangement at the issue price of HK$0.20 per share with the par value of HK$0.01 each. Accordingly, the Company's share capital was increased by HK$400,000 and its share premium account was increased by HK$7,600,000.

(v) Conversion of creditors convertible bonds

During the current year, creditors convertible bonds in the aggregate principal amount of approximately HK$558,000 were converted into approximately 2,790,000 ordinary shares of the Company at a conversion price of HK$0.2 per share.

29. RESERVES

a) The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity and the consolidated statement of profit or loss and other comprehensive income.

b) The Company

	Notes	Share premium HK$'000	Special reserve HK$'000	Creditors convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012		15,409	(64,907)	–	(425,671)	(475,169)
Total comprehensive income for the year		–	–	–	227,856	227,856
Capital restructuring	28 (i)	(15,409)	–	–	200,955	185,546
Share subscription	28 (ii)	142,500	–	–	–	142,500
Transaction costs related to the share subscription	28 (ii)	(75)	–	–	–	(75)
Open offer	28 (iii)	35,431	–	–	–	35,431
Transaction costs related to the open offer	28 (iii)	(1,150)	–	–	–	(1,150)
Issue of shares to creditors	28 (iv)	7,600	–	–	–	7,600
Issue of creditors convertible bonds		–	–	1,264	–	1,264
Deferred tax arising from issue of creditors convertible bonds		–	–	(209)	–	(209)
Group reorganisation		–	64,907	–	(64,907)	–
At 31 December 2012		184,306	–	1,055	(61,767)	123,594
At 1 January 2013		184,306	–	1,055	(61,767)	123,594
Total comprehensive income for the year		–	–	–	2,251	2,251
Conversion of creditors convertible bonds		559	–	(74)	–	485
Transaction costs related to conversion of creditors convertible bonds		(6)	–	–	–	(6)
Redemption of creditors convertible bonds		–	–	(549)	240	(309)
At 31 December 2013		**184,859**	**–**	**432**	**(59,276)**	**126,015**

29. RESERVES (continued)

c) Nature and purpose of reserves of the Group

(i) Share premium

Under the Companies Law of the Cayman Islands, subject to the Company's Memorandum and Articles of Association, the funds in 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.

(ii) Special reserve

Special reserve represents the difference between the paid up capital and share premium of the then holding companies of the subsidiaries acquired as a result of the group reorganisation which was completed on 20 December 2002 and the costs of investments in subsidiaries of the Company. Upon completion of the Restructuring Agreement on 23 February 2012, the whole amount of the special reserve of approximately HK$64,907,000 was transferred to accumulated losses of the Company.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

(iv) Creditors convertible bonds reserve

This reserve represents the value of the unexercised equity component of creditors convertible bonds issued by the Company net of related deferred tax and direct issue costs, where applicable.

(v) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

30. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The existing share option scheme of the Company (the "Scheme") was adopted by the Company at the annual general meeting of the Company held on 28 June 2012 and the previous share option scheme of the Company adopted on 12 February 2003 was terminated on the same date. Unless otherwise cancelled or amended, the Scheme shall be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Scheme is to enable the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Scheme shall provide incentive to encourage participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions. Eligible participants of the Scheme include any individual being an employee, officer, agent, consultant or representatives of any member of the Group (including any executive or non-executive director of any member of the Group) who, as the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his/her performance and/or years of service, or is regarded to be a valuable human resource of the Group based on his/her working experience, knowledge in the industry and other relevant factors. The offer of a grant of share options may be accepted within thirty days from the date of grant. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00.

The subscription price for the shares on the exercise of options under the Scheme shall be a price determined by the Board and notified to the relevant participant at the time the grant of the options (subject to any adjustments made pursuant to the Scheme and the relevant provisions of the Listing Rules) is made to (subject to acceptance by) the participant and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is granted, which date must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the option is granted; and (iii) the nominal value of the share. The exercise period of the share options granted is determinable by the directors but in any event, not longer than ten years from the date of grant.

The total number of shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the shares in issue as at the proposed date of grant. Any further grant of options to a participant in excess of the 1% limit shall be subject to the shareholders' approval of the Company with such participant and his/her associates abstaining from voting.

30. SHARE-BASED PAYMENTS (continued)

Equity-settled share option scheme (continued)

The limit on the total number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company (excluding lapsed and cancelled options) must not exceed 30% of the total number of the shares in issue from time to time. In addition, the total number of the shares which may be issued upon exercise of all options to be granted under the Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), must not represent more than 10% of the total number of the shares in issue as at the date of approval of the Scheme (the "Scheme Mandate Limit") or as at the date of approval of the refreshed Scheme Mandate Limit as the case may be.

No options were granted or exercised during the years ended 31 December 2013 and 2012 and no share options were outstanding as at 31 December 2013 and 2012.

31. GAIN ON DEEMED DISPOSAL OF A SUBSIDIARY

On 7 March 2013, Global Champion Technology Limited ("Global Champion"), an indirect wholly-owned subsidiary of the Company, raised share capital by issuing 99 new ordinary shares of HK$1 each at a price of HK$1 per new share. 69 new shares were subscribed by the immediate holding company, Smart Victory Development Limited ("Smart Victory"). The remaining 30 new shares were subscribed by two parties independent of the Group. As a result, the Group, recognised a gain on deemed disposal of a subsidiary of approximately HK$6,000.

32. CAPITAL INJECTION BY A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND DEEMED DISPOSAL OF A SUBSIDIARY

On 28 June 2013, Macro Success Holdings Limited ("Macro Success"), an indirect wholly-owned subsidiary of the Company and 廈門華聯電子有限公司 (literally translated as Xiamen Hualian Electronics Company Limited) ("Xiamen Hualian"), a non-controlling shareholder of Foshan Lianchuang Hualian, entered into a conditional capital injection agreement with 深圳市中科融低碳技術發展有限公司 (literally translated as Shenzhen Zhong Ke Rong Low-carton Technology Development Company Limited) ("Shenzhen Zhong Ke Rong") pursuant to which Shenzhen Zhong Ke Rong agreed to inject RMB1,000,000 (equivalent to approximately HK$1,264,000) by cash for 4.15% of the registered capital of Foshan Lianchuang Hualian as enlarged after such capital injection. The capital injection was completed on 18 November 2013. The loss on deemed disposal of a subsidiary of approximately HK$4,000 was recognised.

33. GAIN ON AN EQUITY TRANSACTION WITH A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

On 14 May 2013, Global Winner acquired a 24% equity interest of Onetech Technology Company Limited ("Onetech"), a subsidiary of the Company from an independent third party at a consideration of HK$24. The transaction was completed on 14 May 2013 and a gain of approximately HK$156,000 was recognised. Currently, Onetech is legally and beneficially wholly-owned by Global Winner.

34. CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any significant contingent liabilities (2012: nil).

35. PLEDGE OF ASSETS

As at 31 December 2013, the Group did not have significant assets under pledge (2012: nil).

36. LEASE COMMITMENTS

As lessee

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases and were payable as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Within one year	**1,305**	1,255
In the second to fifth years inclusive	**4,421**	4,697
Over five years	**–**	676
	5,726	6,628

Operating lease payments represent rentals payable by the Group for its offices and factory premises. Leases are negotiated for terms from one year to ten years and rentals are fixed over the lease terms and do not include contingent rentals.

37. CAPITAL COMMITMENT

As at 31 December 2013, the Group had no material capital commitments (2012: nil).

38. RELATED PARTY TRANSACTIONS

The related party transactions of the Group during the year are as follows:

	2013	2012
	HK$'000	*HK$'000*
Compensation of key management personnel		
Short-term benefits	**1,292**	1,061
Post-employment benefits	**49**	39
	1,341	1,100
Operating lease charges on office premises to a related company in which two Directors have significant influence	**780**	650

During the year ended 31 December 2013, the Group purchased raw materials from a non-controlling shareholder of a subsidiary totalling approximately HK$404,000 (2012: approximately HK$850,000) which are considered as continuing connected transactions (the "CCT") under the Listing Rules. An independent report on the CCT issued by the Company's auditor is disclosed in the Report of the Directors.

39. EVENTS AFTER THE REPORTING PERIOD

There is no significant event happened after the end of the reporting period.

40. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	**–**	–
Less: Provision for impairment	**–**	–
	–	–

(a) Particulars of the Company's principal subsidiaries as at 31 December 2013 were as follows:

Name	Place of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Smart Victory	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Investment holding
Global Champion	Hong Kong	100 ordinary shares of HK$1 each	–	70%	Sale of semiconductors and related products
Global Winner	Hong Kong	1 ordinary share of HK$1 each	–	100%	Sale of semiconductors and related products
Onetech	Hong Kong	100 ordinary shares of HK$1 each	–	100%	Development and provision of electronic turnkey device solution products
勝沃數碼電子(深圳)有限公司 (literally translated as Sheng Wo Digital Electronics (Shenzhen) Company Limited)	The PRC	Paid-up capital of HK$3,000,000	–	100%	Development and provision of electronic turnkey device solution products

40. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Particulars of the Company's principal subsidiaries as at 31 December 2013 were as follows: (continued)

Name	Place of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Foshan Lianchuang Hualian	The PRC	Paid-up capital of RMB21,910,000	–	50.21%	Development and provision of electronic turnkey device solution products

Foshan Lianchuang Hualian is an enterprise established in the PRC on 18 May 2007 for a period of 24 years. This company is jointly owned by Macro Success, Xiamen Hualian and Shenzhen Zhong Ke Rong as to 50.21%, 45.64% and 4.15% respectively.

Sheng Wo Digital Electronics (Shenzhen) Company Limited is a wholly foreign-owned enterprise established in the PRC on 24 June 2010 for a period of 20 years.

40. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(b) Details of non-wholly owned subsidiary that have material non-controlling interests ("NCI")

The following table shows information of the subsidiary that has NCI material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	**Foshan Lianchuang Hualian**	
Principal place of business/country of incorporation	**The PRC**	
	2013	2012
% of ownership interest/voting rights held by NCI	**49.79%**	47.62%
	HK$'000	*HK$'000*
At 31 December		
Non-current asset	**5,714**	5,439
Current assets	**38,798**	36,431
Current liabilities	**(17,546)**	(13,627)
Net assets	**26,966**	28,243
Carrying amount of NCI	**13,426**	13,449
Years ended 31 December		
Revenue	**44,709**	42,420
Loss for the year	**3,472**	1,060
Loss allocated to NCI	**1,736**	505
Total comprehensive expenses	**2,541**	1,125
Total comprehensive expenses allocated to NCI	**1,292**	536
Net cash (used in)/generated from operating activities	**(3,830)**	7,904
Net cash used in investing activities	**(936)**	(2,100)
Net cash generated from financing activities	**1,264**	–
Net (decrease)/increase in cash and cash equivalents	**(3,502)**	5,804

(c) Significant restriction

As at 31 December 2013, the aggregate bank and cash balances of the Group's subsidiaries in the PRC denominated in Renminbi amounted to HK$6,537,000 (2012: HK$9,407,000). Conversion of renminbi into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2013 HK$'000	2012 HK$'000
Non-current asset			
Investments in subsidiaries	40	–	–
Current assets			
Due from subsidiaries *		139,546	141,668
Prepayments, deposits and other receivables		191	219
Current tax assets		376	–
Bank and cash balances		108	9
		140,221	141,896
Current liabilities			
Accruals and other payables		214	235
Creditors convertible bonds		3,265	–
		3,479	235
Net current assets		136,742	141,661
Total assets less current liabilities		136,742	141,661
Non-current liabilities			
Creditors convertible bonds		–	7,246
Deferred tax liabilities		2	124
		2	7,370
NET ASSETS		136,740	134,291
Capital and reserves			
Share capital	28	10,725	10,697
Reserves	29(b)	126,015	123,594
TOTAL EQUITY		136,740	134,291

* The amounts due from subsidiaries are unsecured and have no fixed term of repayment. Included in the amounts due from subsidiaries of approximately HK$124,303,000 (2012: approximately HK$141,544,000) bear interest at an effective interest rate of prime rate less 2.5% per annum (2012: prime rate plus 1% per annum).

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 26 March 2014.

Five Year Financial Summary

	For the year ended 31 December				
	2009	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Turnover	33,080	178,481	304,689	334,135	**231,191**
(Loss)/profit for the year	(33,275)	(19,680)	(14,285)	262,800	**(1,414)**
(Loss)/profit attributable to:					
Owners of the Company	(33,275)	(20,128)	(15,993)	263,149	**353**
Non-controlling interests	–	448	1,708	(349)	**(1,767)**
	(33,275)	(19,680)	(14,285)	262,800	**(1,414)**

	As at 31 December				
	2009	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	12,853	37,696	121,677	197,879	**209,245**
Total liabilities	(280,186)	(324,843)	(408,951)	(29,319)	**(39,637)**
	(267,333)	(287,147)	(287,274)	168,560	**169,608**
(Deficiency of equity)/equity attributable to owners of the Company	(267,333)	(287,602)	(303,295)	154,937	**156,188**
Non-controlling interests	–	455	16,021	13,623	**13,420**
	(267,333)	(287,147)	(287,274)	168,560	**169,608**