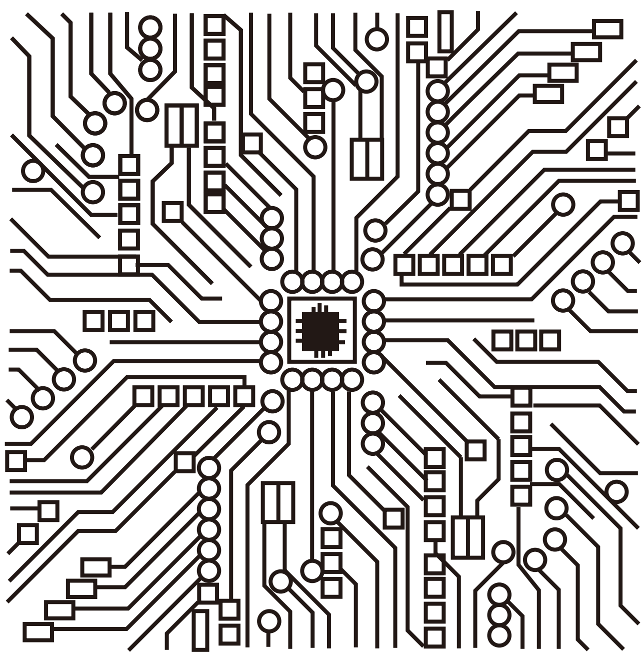
GRANDE

THE GRANDE HOLDINGS LIMITED
(In Liquidation)



A N N U A L   R E P O R T   2 0 1 3

(Stock code no. 186)

CONTENTS

CORPORATE INFORMATION

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS
Mr. Fok Hei Yu
Mr. Roderick John Sutton

FOUNDING CHAIRMAN
Dr. Stanley Ho

BOARD OF DIRECTORS
Executive Directors
Mr. Christopher W. Ho
Chairman
Mrs. Christine L. S. Asprey
(resigned on 1 February 2013)
Mr. Duncan T. K. Hon
(resigned on 11 March 2013)

Independent Non-executive Director
Mr. Martin I. Wright
(resigned on 12 March 2013)

INDEPENDENT AUDITORS
Jonten Hopkins CPA Limited

COMPANY SECRETARY
Mr. Christopher T. O. Chiang
(resigned on 1 February 2013)
Mr. Richard Y. K. Li
(appointed on 1 February 2013 and resigned on 2 April 2013)

ASSISTANT COMPANY SECRETARY
Ms. Linda Longworth
International Managers Bermuda Ltd.

OFFICE OF THE PROVISIONAL LIQUIDATORS
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Central, Hong Kong

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Singapore 149544

REGISTERED OFFICE
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Hamilton HM 11, Bermuda

SHARE REGISTRAR
Tricor Tengis Limited
Level 22, Hopewell Centre,
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Hong Kong

SHARE TRANSFER OFFICE
Tricor Tengis Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

COMPANY'S WEBSITE
http://www.grandeholdings.com

The Provisional Liquidators of The Grande Holdings Limited (In Liquidation) (the "Company") is pleased to present the report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013.

SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION AND GROUP RESTRUCTURING

Details of the Group's suspension of trading of the Company shares, appointment of the joint and several provisional liquidators, winding-up petition and group restructuring are set out in note 2 to the consolidated financial statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of distribution of household appliances and consumer electronic products and licensing of trademarks.

SEGMENTED INFORMATION

Details of revenue and segmented information are set out in notes 9 and 38 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2013 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 14 to 72.

The Provisional Liquidators do not recommend the payment of a final dividend for the year ended 31 December 2013.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out below:

RESULTS

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$ million	HK$ million	HK$ million	HK$ million (Restated)	HK$ million (Restated)
CONTINUING OPERATIONS – REVENUE	**741**	1,115	1,484	1,764	1,682
LOSS BEFORE TAX	**(187)**	(652)	(1,090)	(8)	(1,142)
Tax	**(10)**	(40)	(82)	(36)	(6)
LOSS BEFORE NON-CONTROLLING INTERESTS	**(197)**	(692)	(1,172)	(44)	(1,148)
Non-controlling interests	**6**	20	(34)	(58)	(22)
	(191)	(672)	(1,206)	(102)	(1,170)
DISCONTINUED OPERATIONS	**–**	–	(116)	(526)	(96)
LOSS ATTRIBUTABLE TO SHAREHOLDERS	**(191)**	(672)	(1,322)	(628)	(1,266)

SUMMARY FINANCIAL INFORMATION (continued)

ASSETS AND LIABILITIES

	31 December				
	2013	2012	2011	2010	2009
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
NON-CURRENT ASSETS	**786**	817	1,254	1,742	2,600
CURRENT ASSETS	**699**	706	740	497	1,100
TOTAL ASSETS	**1,485**	1,523	1,994	2,239	3,700
CURRENT LIABILITIES	**3,857**	3,716	3,496	1,404	2,085
NON-CURRENT LIABILITIES	**–**	–	10	732	733
TOTAL LIABILITIES	**3,857**	3,716	3,506	2,136	2,818
NET (LIABILITIES)/ASSETS	**(2,372)**	(2,193)	(1,512)	103	882
SHARE CAPITAL AND RESERVES	**(2,813)**	(2,618)	(1,942)	(600)	104
NON-CONTROLLING INTERESTS	**441**	425	430	703	778
TOTAL (DEFICIENCY)/BALANCE OF EQUITY	**(2,372)**	(2,193)	(1,512)	103	882

PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 16 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATE

Particulars of the Company's principal subsidiaries and associate are set out in notes 39 and 17 respectively to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

Details of the Company's share capital and share premium are set out in note 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company did not maintain any reserve available for distribution to shareholders, calculated under the provisions of the Companies Act 1981 of Bermuda.

The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group's largest customer and five largest customers accounted for approximately 51% and 85% respectively, of the Group's total revenue for the year.

Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 67% and 98% respectively, of the Group's total purchases for the year.

None of the directors, their associates or any shareholders (which to the knowledge of the Provisional Liquidators owns more than 5% of the Company's issued share capital) had any interest in the Group's major customers and suppliers.

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 11 to the consolidated financial statements.

DIRECTORS

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

Mrs. Christine L. S. Asprey	(resigned on 1 February 2013)
Mr. Christopher W. Ho	
Mr. Duncan T. K. Hon	(resigned on 11 March 2013)
Mr. Martin I. Wright	(resigned on 12 March 2013)

DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest, either direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the reporting date or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

REPORT OF THE PROVISIONAL LIQUIDATORS

DIRECTOR'S INTERESTS IN SHARE CAPITAL

As at 31 December 2013, the interests of the director and chief executives of the Company in the shares and underlying shares of the Company or its associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares:

Name of director	Capacity	Number of issued ordinary shares of HK$0.10 each in the Company held	% of the issued share capital
Mr. Christopher W. Ho	Beneficiary of a discretionary trust	328,497,822*	71.37%

* *Mr. Christopher W. Ho is deemed to have interests in these shares as he is one of the beneficiaries of a discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 328,497,822 ordinary shares in the Company.*

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the following persons (other than the director or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of substantial shareholders	Capacity	Number of issued ordinary shares of HK$0.10 each in the Company held	% of the issued share capital
Ms. Rosy L. S. Yu	Interest as Mr. Ho's spouse	328,497,822*	71.37%
Barrican Investments Corporation	Beneficial owner	328,497,822#	71.37%
Accolade (PTC) Inc	Trustee	328,497,822#	71.37%

* *Ms. Rosy L. S. Yu is deemed to have interests in these shares by virtue of being the spouse to Mr. Christopher W. Ho.*

\# *Accolade (PTC) Inc is deemed to have interests in these shares as the trustee to the discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 328,497,822 ordinary shares in the Company.*

SUBSTANTIAL SHAREHOLDERS (continued)

Save as disclosed above, as at 31 December 2013, none of the Provisional Liquidators knew of any person (other than the director or chief executives of the Company) who had, or was deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF SOLE DIRECTOR

Name	Age	Number of years of service	Business experience
Executive Director			
Mr. Christopher W. Ho	63	23	Manufacturing, international trading and corporate finance

Director with other directorships held in the last three years, as up to the date of this report, in public companies the securities of which are listed on any securities market in Hong Kong or overseas are set out below:

Mr. Christopher W. Ho has been a director of Emerson Radio Corp. ("Emerson") (retired on 7 November 2013), a company listed on the NYSE Alternext US and Lafe Corporation Limited ("Lafe"), a company listed on the Singapore Exchange Securities Trading Limited.

BUSINESS REVIEW AND PROSPECTS

For the year ended 31 December 2013 (the "current year"), the revenue of the Group was HK$741 million as compared to HK$1,115 million for 2012 (the "corresponding year"). The Group recorded a net loss attributable to shareholders of HK$191 million for the current year, as compared to a loss of HK$672 million for the corresponding year.

The Group comprises the Emerson operations and Licensing operations for Akai, Sansui and Nakamichi brands.

(a) Emerson

The trade name "Emerson" dates back to 1912 and is one of the oldest and most well respected brand in the consumer electronics industry. Emerson has been focusing on offering a broad variety of current and new consumer electronics products and household appliances at low to medium-priced levels to customers.

Emerson's revenue for the current year was HK$683 million as compared to HK$1,034 million for the corresponding year. It recorded an operating profit of HK$25 million for the current year as compared to HK$91 million for the corresponding year. Emerson has also entered into distribution and license agreements with third party licensees that allow the licensees to sell various products bearing the Emerson trademarks into defined geographic areas.

BUSINESS REVIEW AND PROSPECTS (continued)

(b) Licensing

This segment has the responsibility of managing the global licensing operations of Akai, Sansui and Nakamichi brands. The Group's strategy is to qualify and appoint exclusive licensees for each brand in different geographical regions, granting them the rights to source, market, promote and distribute approved branded products with their own resources, expertise and knowledge in the domestic markets.

The revenue of this segment was HK$58 million for the current year as compared to HK$81 million for the corresponding year. The operating profit for the current year was HK$47 million which comprised mainly the net licensing income received from the licensees, as compared to a profit of HK$56 million for the corresponding year.

Notwithstanding the net loss attributable to shareholders of HK$191 million recorded by the Group during the current year (as compared to a net loss of HK$672 million for the corresponding year), the Provisional Liquidators are of the view that the loss does not affect the Group's existing business and its normal operation. The Group continues to operate its branded distribution business as usual.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had a current ratio of approximately 0.18 as compared to that of approximately 0.19 at 31 December 2012.

As at 31 December 2013, the Group had HK$520 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources.

The Group had inventories of approximately HK$44 million as at 31 December 2013 representing a decrease of HK$57 million as compared to the previous year.

Following the winding-up order was granted against the Company by the High Court on 12 September 2013, all the interest bearing borrowings of the Group has since 12 September 2013 been accounted for as non-interest bearing borrowings of the Group. As a result, the Group's gearing ratio as at 31 December 2013 was 0% which is calculated based on the Group's net borrowings of nil (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total deficiency of equity of HK$2,372 million.

As at 31 December 2013, the Group had net current liabilities of HK$3,158 million as compared to HK$3,010 million at 31 December 2012.

CHARGES ON GROUP ASSETS

As at 31 December 2013, certain of the Group's assets with a total carrying value of approximately HK$19 million were pledged to secure banking and other borrowing facilities granted to the Group. Details are set out in note 36 to the consolidated financial statements.

TREASURY POLICIES

The Group's major borrowings are in US dollars and HK dollars. The Group's revenues are mainly in US dollars and major borrowings and payments are in either US dollars or HK dollars. The Group is not exposed to any significant currency risk exposure since the HK dollar is linked with the US dollar.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 31 December 2013 was approximately 50. The Group remunerates its employees mainly based on industry practice, individual's performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance. Other benefits include medical and retirement schemes.

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

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

SIGNIFICANT INVESTMENTS

During 2007, the Group increased its shareholding interests in SEC from 30% at 31 December 2006 to 40% at 31 December 2007. Since the Group had gained control over SEC's financial and operating policies, the interests in SEC had since June 2007 been accounted for as a subsidiary. There was no movement in the Group's shareholding interests in SEC during the year 2011. However, SEC had been reclassified and accounted for as an associate instead since 1 October 2011 as the Group had lost its control over SEC's financial and operating policies in consequence of the Group's inability to provide continuing financial support to SEC from that time.

SEC became delisted from the Tokyo Stock Exchange on 3 May 2012 and has been put into the Civil Rehabilitation Procedures ("CRP") in Japan with effect from 15 May 2012. Following the commencement of the CRP, SEC has been administered under the supervision of the court appointed supervisor. In consequence of its complete loss of influence over the financial and operational matters of SEC, the Group has accordingly reclassified and accounted for its interests in SEC as available-for-sale investments instead of an associate since 15 May 2012.

On 27 December 2012, the Japan Court endorsed and approved the CRP and discharged the court supervisor. On 4 July 2014, a bankruptcy petition was presented against SEC. On 9 July 2014, SEC was put into bankruptcy and Ms. Aizawa Mitsue was appointed its bankruptcy trustee on the same date.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

There were no significant related party transactions entered by the Group during the year ended 31 December 2013, which constituted connected transactions under the Listing Rules.

REPORT OF THE PROVISIONAL LIQUIDATORS

AUDIT COMMITTEE

Following the resignation of the Company's sole independent non-executive director during the year, there has been no replacement of members at the audit committee. No audit committee is therefore maintained as required by Rule 3.21 of the Listing Rules. As a result, the consolidated financial statements of the Group for the current year ended 31 December 2013 have not been reviewed by the audit committee.

CORPORATE GOVERNANCE

As the Company has been under the control of the Provisional Liquidators and a full board of directors has not been constituted, the current director of the Company is therefore unable to comply with the Code on Corporate Governance Practices (the "CG Code").

However, upon resumption of trading in the shares of the Company, the Company will ensure that the CG Code shall be complied with.

MODEL CODE FOR SECURITIES TRANSACTIONS BY SOLE DIRECTOR

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the director of the Company. Given that the Company is in liquidation and the trading of the Company's shares were suspended from trading since 30 May 2011, the Company is not aware of any non-compliance with the required standards as set out in the Model Code during the year ended 31 December 2013.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Provisional Liquidators up to the date of this report, the Company has sufficient public float as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 40 to the consolidated financial statements.

INDEPENDENT AUDITORS

In 2012, Messrs. Moore Stephens, who acted as auditors of the Company for the past 6 years, resigned and Jonten Hopkins CPA Limited was appointed as auditors of the Company. A resolution for the appointment of Jonten Hopkins CPA Limited as auditors of the Company will be ratified by the shareholders at the forthcoming general meeting.

FOR AND ON BEHALF OF
THE GRANDE HOLDINGS LIMITED
(IN LIQUIDATION)

Fok Hei Yu and Roderick John Sutton
Joint and Several Provisional Liquidators
acting as agents without personal liability

Hong Kong
29 August 2014

Jonten Hopkins CPA Limited
中天運浩勤會計師事務所有限公司

Independent Auditors' Report
to the Shareholders of
The Grande Holdings Limited (In Liquidation)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of The Grande Holdings Limited (In Liquidation) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 72 which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

PROVISIONAL LIQUIDATORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the 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. Because of the matter described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1. **Opening balances and corresponding figures**

   The comparative figures disclosed in the consolidated financial statements are based on the audited financial statements of the Group and the Company for the year ended 31 December 2012 in respect of which the auditor's report dated 30 June 2014 expressed a disclaimer of opinion. The matters which resulted in that disclaimer of opinion included (a) Amounts due to former related companies; (b) Amounts due to a former associate; (c) Directors' remuneration and employee costs; (d) Accounts and bills payable and (e) Tax liabilities, which remain unresolved issues this year. Moreover, as at the date of this report, the audit of several subsidiaries for the years ended 31 December 2011 and 2012 was not completed by the component auditors. The carrying amount of the balances of these subsidiaries as at 31 December 2013 was derived by aggregating the opening balances as at 1 January 2013 and the net movement resulting from the transactions during the year ended 31 December 2013. There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of the opening balances and corresponding figures shown in the current year's consolidated financial statements.

2. **Material uncertainty relating to the going concern basis**

   In forming our opinion, we have considered the adequacy of the disclosures made in note 3 to the consolidated financial statements which states the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the proposed restructuring. We consider that the disclosures are adequate. However, in view of the extent of the material uncertainty relating to the completion of the proposed restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

3. **Amounts due to former related companies**

   We have not been able to obtain direct audit confirmations or other sufficient evidence in respect of certain amounts due to former related companies of the Group for approximately HK$13 million. As a result, we were unable to satisfy ourselves that amounts due to former related companies of the Group as disclosed in notes 28 to the consolidated financial statements was fairly stated.

4. **Amounts due to a former associate**

   We have not been able to obtain direct audit confirmation or other sufficient evidence in respect of the amounts due to a former associate of the Group for approximately HK$571 million. As a result, we were unable to satisfy ourselves that amounts due to a former associate of the Group as disclosed in note 28 to the consolidated financial statements was fairly stated.

BASIS FOR DISCLAIMER OF OPINION (continued)

5. Accounts and bills payable

Due to the time constraint, we have not been able to obtain direct audit confirmations or other sufficient evidence in respect of certain accounts and bills payable of the Group for approximately HK$5 million. As a result, we were unable to satisfy ourselves that the accounts and bills payable of the Group as disclosed in note 27 to the consolidated financial statements was fairly stated.

6. Tax liabilities

We have not been provided with adequate information to ascertain certain tax liabilities of approximately HK$42 million as included in the tax liabilities of approximately HK$82 million in the consolidation statement of financial position.

Any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Company and the Group as at 31 December 2013 and 2012 and the financial performance and cash flows of the Group for the years then ended and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant subsequent events related to the Company and the Group.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Jonten Hopkins CPA Limited
Certified Public Accountants

Hong Kong
29 August 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	**2013 HK$ million**	2012 HK$ million
REVENUE	9	**741**	1,115
Cost of sales		**(553)**	(851)
Gross profit		**188**	264
Other income		**10**	6
Gain on disposal of subsidiaries	33	**–**	3
Distribution costs		**(15)**	(14)
Administrative expenses		**(112)**	(123)
Allowance for doubtful debts		**(1)**	(44)
Impairment loss recognised in respect of interests in an associate	17	**–**	(95)
Impairment loss recognised in respect of available-for-sale investments	18	**–**	(9)
Impairment loss recognised in respect of brands and trademarks	20	**(33)**	(327)
Loss on settlement of litigation	30	**(31)**	–
Settlement of tax dispute	31	**–**	(29)
Other expenses		**(1)**	(13)
Finance costs	10	**(192)**	(268)
Share of results of an associate	17	**–**	(3)
LOSS BEFORE TAX		**(187)**	(652)
Tax	12	**(10)**	(40)
LOSS FOR THE YEAR	10	**(197)**	(692)
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**18**	10
Share of other comprehensive loss of an associate	17	**–**	(2)
Reclassification adjustments relating to disposal of foreign operations	33	**–**	2
Reclassification adjustments relating to interests in an associate reclassified as available-for-sale investments		**–**	1
		18	11
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	10	**(179)**	(681)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	**2013 HK$ million**	2012 HK$ million
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		**(191)**	(672)
Non-controlling interests		**(6)**	(20)
		(197)	(692)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		**(195)**	(676)
Non-controlling interests		**16**	(5)
		(179)	(681)
LOSS PER SHARE	14	**HK$**	HK$
Basic		**(0.42)**	(1.46)
Diluted		**(0.42)**	(1.46)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	**2013 HK$ million**	2012 HK$ million
NON-CURRENT ASSETS			
Plant and equipment	15	**2**	3
Investment properties	16	**1**	1
Interests in an associate	17	**–**	–
Available-for-sale investments	18	**–**	–
Deferred tax assets	19(a)	**31**	28
Brands and trademarks	20, 22	**738**	771
Other assets	21	**1**	1
Goodwill	22	**13**	13
		786	817
CURRENT ASSETS			
Inventories	23	**44**	101
Accounts and bills receivable	24	**94**	61
Prepayments, deposits and other receivables	25	**38**	18
Tax recoverable		**3**	4
Pledged deposits with banks		**–**	1
Cash and bank balances	26	**520**	521
		699	706
CURRENT LIABILITIES			
Bank overdraft		**2**	2
Accounts and bills payable	27	**12**	31
Obligations under finance leases		**–**	1
Accrued liabilities and other payables	28, 36	**3,309**	3,173
Tax liabilities		**82**	83
Provision for legal claims	29	**452**	426
		3,857	3,716
NET CURRENT LIABILITIES		**(3,158)**	(3,010)
NET LIABILITIES		**(2,372)**	(2,193)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	**2013 HK$ million**	2012 HK$ million
CAPITAL AND RESERVES			
Share capital	32	**46**	46
Share premium	32	**1,173**	1,173
Reserves		**(4,032)**	(3,837)
DEFICIENCY OF EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		**(2,813)**	(2,618)
NON-CONTROLLING INTERESTS		**441**	425
TOTAL DEFICIENCY OF EQUITY		**(2,372)**	(2,193)

Fok Hei Yu
and
Roderick John Sutton
Joint and Several Provisional Liquidators
acting as agents without personal liability

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Share capital HK$ million	Share premium HK$ million	Contributed reserve HK$ million	Exchange fluctuation reserve HK$ million	Other deficits HK$ million	Accu-mulated deficits HK$ million	Deficiency of equity attributable to the shareholders of the Company HK$ million	Non-controlling interests HK$ million	Total deficiency of equity HK$ million
At 1 January 2012	46	1,173	193	(148)	(7)	(3,199)	(1,942)	430	(1,512)
Loss for the year	–	–	–	–	–	(672)	(672)	(20)	(692)
Other comprehensive (loss)/income	–	–	–	(4)	–	–	(4)	15	11
Total comprehensive loss for the year	–	–	–	(4)	–	(672)	(676)	(5)	(681)
At 31 December 2012 and 1 January 2013	46	1,173	193	(152)	(7)	(3,871)	(2,618)	425	(2,193)
Loss for the year	–	–	–	–	–	(191)	(191)	(6)	(197)
Other comprehensive (loss)/income	–	–	–	(4)	–	–	(4)	22	18
Total comprehensive (loss)/income for the year	–	–	–	(4)	–	(191)	(195)	16	(179)
At 31 December 2013	**46**	**1,173**	**193**	**(156)**	**(7)**	**(4,062)**	**(2,813)**	**441**	**(2,372)**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$ million	2012 HK$ million
OPERATING ACTIVITIES			
Loss before tax		**(187)**	(652)
Adjustments for:			
Interest income		**(6)**	(3)
Finance costs		**192**	268
Share of results of an associate	17	**–**	3
Depreciation		**1**	1
Under provision for loss on financial derivatives		**–**	4
Loss on settlement of litigation	30	**31**	–
Settlement of tax dispute		**–**	29
Allowance for doubtful debts		**1**	44
Net foreign exchange loss		**–**	2
Impairment loss recognised in respect of brands and trademarks	20	**33**	327
Impairment loss recognised in respect of interests in an associate	17	**–**	95
Impairment loss recognised in respect of available-for-sale investments	18	**–**	9
Release of other comprehensive loss of an associate		**–**	1
Gain on disposal of plant and equipment		**–**	(2)
Gain on disposal of subsidiaries	33	**–**	(3)
Operating cash flows before working capital changes		**65**	123
Decrease in inventories		**57**	46
(Increase)/decrease in accounts and bills receivable		**(33)**	74
(Increase)/decrease in prepayments, deposits and other receivables		**(22)**	14
Decrease in accounts and bills payable		**(19)**	(57)
Decrease in accrued liabilities and other payables		**(43)**	(27)
Cash generated from operations		**5**	173
Overseas profits tax paid		**(13)**	(7)
Net cash (used in)/generated from operating activities		**(8)**	166

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$ million	2012 HK$ million
INVESTING ACTIVITIES			
Purchase of plant and equipment		**–**	(1)
Decrease in other non-current assets		**–**	2
Increase in bank certificates of deposit	26	**(17)**	(272)
Decrease in pledged deposits with banks		**1**	1
Interest received		**7**	2
Disposal of subsidiaries	33	**–**	5
Net cash used in investing activities		**(9)**	(263)
FINANCING ACTIVITIES			
Net decrease in capital element of finance leases		**(1)**	–
Net cash used in financing activities		**(1)**	–
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(18)**	(97)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**247**	345
Effect of foreign exchange rate changes, net		**–**	(1)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**229**	247
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash	26	**1**	–
Cash in transit	26	**3**	–
Bank balances	26	**149**	202
Deposits with maturing date within three months	26	**78**	47
Bank overdraft		**(2)**	(2)
		229	247

1. GENERAL

The Company was incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability under the Companies Law of Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended from trading since 30 May 2011.

The Company's immediate holding company is Barrican Investments Corporation, a company incorporated in the British Virgin Islands. In the opinion of the Provisional Liquidators, the ultimate holding company is Accolade (PTC) Inc ("Accolade"), a company incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal activities of the principal subsidiaries are set out in note 39.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company, and all values are rounded to nearest million (HK$ million) unless otherwise stated.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information on page 2 of the annual report.

2. SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION AND GROUP RESTRUCTURING

Trading in the shares of the Company has been suspended from trading on the Stock Exchange since 30 May 2011.

On 31 May 2011, pursuant to an order of the High Court of the Hong Kong Special Administrative Region (the "High Court"), Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited ("FTI Consulting") were appointed as the provisional liquidators to the Company (the "Provisional Liquidators") as a result of the winding up petition made by Sino Bright Enterprises Co., Ltd. ("Sino Bright"), one of the creditors, against the Company. Upon the appointment of the Provisional Liquidators, the powers of the directors were suspended with regard to the affairs and business of the Company.

On 26 July 2011, an exclusivity and escrow agreement was entered into amongst the Provisional Liquidators on behalf of the Company, FTI Consulting (the "Escrow Agent") and Sunny Faith Investments Limited (the "Investor") (the "Escrow Agreement"). Pursuant to the Escrow Agreement, the Provisional Liquidators have granted the Investor an exclusivity period up to nine months to negotiate a legally binding agreement for the implementation of a viable restructuring proposal. The Provisional Liquidators have also appointed Emperor Capital Limited as financial adviser to the Company regarding the restructuring of the Group.

2. SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION AND GROUP RESTRUCTURING (continued)

On 8 September 2011, the Company was placed in the first stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules on the Stock Exchange. On 31 May 2012, the Company submitted a resumption proposal, which was prepared by the Investor and accepted by the Provisional Liquidators, to the Stock Exchange to address the following:

(a) that the Company had a sufficient level of operations or has assets of sufficient value as required under Rule 13.24 of the Listing Rules; and

(b) that the Company had adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules.

The Stock Exchange was not satisfied with the Company's resumption proposal submitted on 31 May 2012, and by a letter dated 5 July 2012, the Stock Exchange informed the Company its decision to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules with effect from that date.

On 4 October 2012, the Provisional Liquidators announced that after a review hearing held by Listing Committee on 25 September 2012, the Listing Committee decided to uphold the Listing Divisions' decision to place the Company in the second stage of delisting. Accordingly, the Listing Committee further decided to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules with effect from 25 September 2012.

On 30 January 2013, the Provisional Liquidators announced that the exclusivity and escrow agreement dated 26 July 2011 has lapsed. The Provisional Liquidators and the Investor have discussed and agreed to submit a revised resumption proposal to the Stock Exchange prior to the expiry of the second stage of the delisting.

On 13 March 2013, a revised resumption proposal was submitted to the Stock Exchange. On 21 June 2013, the Company provided further information to the Stock Exchange.

By a letter dated 28 June 2013 (the "Letter"), the Stock Exchange informed the Company that the resumption proposal dated 21 June 2013 has not satisfactorily demonstrated sufficiency of operations or assets under Rule 13.24 of the Listing Rules and the Stock Exchange has decided to place the Company in the third stage of delisting under Practice Note 17 to the Listing Rules with effect from 11 July 2013. The third stage of delisting will expire on 10 January 2014. At the end of the third stage of delisting, the Stock Exchange intends to cancel the listing if the Company fails to provide a viable resumption proposal.

2. SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION AND GROUP RESTRUCTURING (continued)

It is set out in the Letter that the Stock Exchange requests the Company to submit a viable resumption proposal to address the following issues at least 10 business days before the aforesaid expiry date of the third stage of delisting, among other things, that:

(i) demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules;

(ii) publish outstanding financial results and address any audit qualifications;

(iii) demonstrate sufficient working capital for at least twelve months from resumption date; and

(iv) demonstrate adequate and effective internal control system to meet the obligations under the Listing Rules.

According to an announcement made by the Stock Exchange on 11 July 2013, the Company has a period of six months to submit a viable resumption proposal to the Stock Exchange. If the Company has not submitted a viable resumption proposal as requested, the Stock Exchange intends to cancel the listing of the Company on the expiry of the six months from the date of that announcement (i.e. by 10 January 2014).

The winding-up petition against the Company was originally scheduled to be heard by the High Court on 3 August 2011. Upon several applications by the Provisional Liquidators, the High Court has consecutively adjourned the hearing of winding-up petition against the Company to a further date. The hearing of the petition was finally rescheduled to 3 September 2013 and a winding-up order was granted against the Company by the High Court on 12 September 2013.

On 12 November 2013, the Provisional Liquidators received a preliminary restructuring proposal from Sino Bright. The Provisional Liquidators received a revised restructuring proposal from Sino Bright on 2 December 2013.

On 20 December 2013, the Company submitted the resumption proposal of Sino Bright to the Stock Exchange. During January 2014 to June 2014, the Company on various occasions and at the request of the Stock Exchange submitted further information to the Stock Exchange in respect of the resumption proposal.

On 2 May 2014, the Company, the Provisional Liquidators and Sino Bright entered into the Restructuring Agreement to implement the Restructuring Proposal. Under the terms of the Restructuring Agreement, all existing businesses and operations of the Group, including the operations of Emerson and the licensing operations related to the Akai, Nakamichi and Sansui trademarks, will be retained.

On 9 July 2014, the Provisional Liquidators submitted an updated resumption proposal (the "Updated Resumption Proposal") to the Stock Exchange, involving, *inter alia*, the capital reorganisation, creditors' schemes of arrangement in accordance with Section 99 of the Companies Act and section 670 of the Hong Kong Companies Ordinance and a proposed open offer. The Updated Resumption Proposal consolidates the Resumption Proposal and subsequent submissions made by the Company to the Stock Exchange, to reflect the terms of the Restructuring Agreement as amended from time to time in implementing the Restructuring Proposal.

3. GOING CONCERN BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013, the Group had net current liabilities of approximately HK$3,158 million (2012: HK$3,010 million) and net liabilities of approximately HK$2,372 million (2012: HK$2,193 million). Despite the significant deficiency of equity attributable to the shareholders of the Company, the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

4. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for accounting periods beginning on or after 1 January 2013:

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

Except as described below, the adoption of the above new HKFRSs in the current year has had no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

4. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(a) HKFRS 10 – Consolidated financial statements:

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

The Provisional Liquidators of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over all the entities that the Group has equity interests in accordance with the new definition of control and the related guidance set out in HKFRS 10. The Provisional Liquidators concluded that the application of HKFRS 10 has had no material impact on the Group's consolidated financial statements.

(b) HKFRS 12 – Disclosure of interests in other entities:

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, those disclosures has been provided in notes 17 and 39.

(c) HKFRS 13 – Fair value measurement:

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

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

The application of HKFRS 13 has not had any material impact on the amounts recognised in these consolidated financial statements.

4. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(d) HKAS 1 (Amendment) – Presentation of items of other comprehensive income:

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: (i) items that will not be reclassified subsequently to profit or loss and (ii) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The presentation of items of other comprehensive income in the consolidated statement of comprehensive income in these consolidated financial statements has been modified accordingly. 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.

The Group has not early applied the following new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2013, and is in the process of assessing their impact on future accounting periods:

HKFRS 9	(i)	Financial instruments
Amendments to HKFRS 9 and HKFRS 7	(i)	Mandatory effective date of HKFRS 9 and transition disclosures
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	(ii)	Investment entities
HKFRS 11 (Amendment)	(iv)	Joint arrangements
HKFRS 14	(iv)	Regulatory deferral accounts
HKFRSs (Amendments)	(iii)	Improvements to HKFRSs 2010 – 2012 cycle
HKFRSs (Amendments)	(iii)	Improvements to HKFRSs 2011 – 2013 cycle
HKAS 16 (Amendment)	(iv)	Property, plant and equipment
HKAS 19 (Amendment)	(iii)	Defined benefit plans: Employees contributions
HKAS 32 (Amendment)	(ii)	Presentation: Offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	(ii)	Recoverable amount disclosures for non-financial assets
HKAS 38 (Amendment)	(iv)	Intangible assets
HKAS 39 (Amendment)	(ii)	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – Int 21	(ii)	Levies

(i) Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
(ii) Effective for annual periods beginning on or after 1 January 2014.
(iii) Effective for annual periods beginning on or after 1 July 2014.
(iv) Effective for annual periods beginning on or after 1 January 2016.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of HKFRSs that have significant effect in the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 6.

Basis of consolidation

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

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates (continued)

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as available-for-sale investments. Any retained portion of an investment in an associate that has not been classified as available-for-sale investments is accounted for using the equity method.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposal of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investments in associates are included in the Company's statement of financial position at cost less any identified impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

– on the sale of goods, when the goods are delivered and title, significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

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

– licensing income is recognised on cash basis in accordance with the substance of the relevant agreement.

Goodwill

Goodwill arising on acquisitions represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Gain on bargain purchase

A gain on bargain purchase arising on an acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Gain on bargain purchase is recognised immediately in the profit or loss.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

In accordance with the Group's internal management reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Inter-segment transfer pricing is based on cost plus an appropriate margin.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting (continued)

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before inter-segment balances and inter-segment transactions are eliminated as part of the consolidation.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

An item of plant and equipment is derecognised upon disposal or when future economic benefits are not expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year in which the item is derecognised.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss for the period in which they arise.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such finance leases are charged to the profit or loss so as to provide a constant periodic rate of charge over the lease terms.

All other leases are classified as operating leases. The rentals applicable to such operating leases are charged to the profit or loss on straight-line basis over the lease terms.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

(a) *Financial assets –*

Financial assets are recognised and derecognised on a trade date basis where the purchase or disposal of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

(i) Investments in equity securities are classified as either held-for-trading investments or as available-for-sale investments, and are remeasured to fair value at the end of each reporting period. For investments in equity available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is derecognised of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale investments are not subsequently reversed through profit or loss.

(ii) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each reporting date subsequent to initial recognition, loans and receivables (including accounts and bills receivable, other receivables, deposits and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(b) Financial liabilities and equity instruments –

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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 in respect of financial liabilities and equity instruments are set out below:

– Financial liability at fair value through profit or loss ("FVTPL"):

Financial liability is designated as at FVTPL upon initial recognition if:

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(iii) it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each reporting date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

– Other financial liabilities:

Other financial liabilities including bank borrowings, other borrowings, accounts and bills payable, accrued liabilities and other payables are subsequently measured at amortised cost, using the effective interest rate method.

Brands and trademarks

The brands and trademarks with indefinite lives are not subject to amortisation, but are tested for impairment annually or more frequently when there are indications of impairment.

Gains or losses arising from derecognition of brands and trademarks are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

Impairment of assets

– *Tangible assets:*

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, however, the increased carrying amount would not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that accounting standard.

– *Intangible assets:*

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity (the exchange fluctuation reserve) in the consolidated financial statements.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange fluctuation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision for retirement and long service payments

The provision for retirement and long service payments is provided based on the employees' basic salaries and their respective length of service in accordance with the applicable rules and regulations in their respective countries of employment. The amounts credited in the profit or loss represent the reversal of previous provisions no longer necessary.

Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditure expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

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

Tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes the profit or loss 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 the tax expected to be payable or recoverable on 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 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group as the parent 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.

The carrying amount of deferred tax assets is reviewed at the end of the 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. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Cash and cash equivalents

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

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person –

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

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

  or

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies –

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(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).

Borrowing cost

Borrowing costs are expensed when incurred except for borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs include interest charge and other costs incurred in connection with the borrowing funds, including amortisation of discounts or premiums relating to the borrowing, and amortisation of ancillary incurred in connection with arranging the borrowing.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 5, the management has made the following estimates that have most significant effect on the amounts recognised in the consolidated financial statements. 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 also discussed below.

(a) Going concern:

On 31 May 2011, an Order was granted by the High Court to appoint Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited, to act as provisional liquidators to the Company (the "Provisional Liquidators"). The Provisional Liquidators have been assessing the operations of the Company and its subsidiaries in consultation with the management, creditors, regulatory authorities and other relevant parties in order to determine the optimal strategy to maximize the return to stakeholders. Notwithstanding that the Group had net current liabilities of HK$3,158 million as at 31 December 2013, the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company would be successfully completed. Based on the assessment of the information available at this time, the Provisional Liquidators are of the view that the proposed restructuring of the Company would likely be successfully completed barring any unforeseen circumstances. Based further on the assumption that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future and, accordingly, the Group continues to adopt the going concern basis in preparing these consolidated financial statements.

(b) Impairment of assets:

In considering the impairment losses that may be required for the Group's assets which include plant and equipment, interests in an associate and unlisted available-for-sale investments, the recoverable amounts of the assets need to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate the fair value less costs to sell because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgment. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount.

Any increase or decrease in impairment losses, recognised as set out above, would affect the net profit or loss in future years.

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

(c) Depreciation of plant and equipment:

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and the estimated residual values, if any, of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Impairment loss for bad and doubtful debts:

The Group maintains an impairment loss for bad and doubtful debts for estimated losses resulting from the inability of the debtors to make required payments. The Group bases the estimates of future cash flows on the ageing of the trade receivables balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs could be higher than estimated.

(e) Write down of inventories:

The Group performs regular review of the carrying amounts of inventories with reference to aged inventories analysis, expected future sales and management judgment. Based on this review, write down of inventories will be made when the carrying amount of inventories declines below the estimated net realisable value. However, actual sales may be different from estimation and profit or loss could be affected by differences in this estimation.

(f) Estimated impairment of goodwill, brands and trademarks:

Determining whether goodwill, brands and trademarks are impaired requires an estimation of the value in use of the cash-generating units to which goodwill, brands and trademarks have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amounts of goodwill, brands and trademarks are HK$13 million and HK$738 million respectively. Particulars of the impairment test are disclosed in note 22.

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

(g) Income taxes:

As at 31 December 2013, deferred tax assets of HK$31 million in relation to accelerated tax depreciation and unused tax losses has been recognised in the Group's consolidated statement of financial position. The releasability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal takes place.

As at 31 December 2013, there is a tax dispute between Emerson (which is listed on the NYSE Alternext US and is a 56% owned subsidiary of the Group) and the US Internal Revenue Service ("IRS"). Since Emerson's current assessment suggested that the appeal of the IRS is more likely to be not successful, it is suggested to the Group that no provision should be made.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments:

	2013 HK$ million	2012 HK$ million
Financial assets –		
Available-for-sale financial assets	**–**	–
Loans and receivables (including cash and bank balances)	**636**	594
Financial liabilities –		
At amortised cost	**3,775**	3,633

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies:

The Group's major financial instruments include equity investments, borrowings, accounts receivable, accounts payable and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk:

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Foreign currency denominated financial assets/(liabilities) are as follows:

	United States Dollar HK$ million	Great British Pound HK$ million	Renminbi Yuan HK$ million	New Taiwan Dollar HK$ million	Japanese Yen HK$ million
As at 31 December 2013					
Accounts and bills receivable	93	–	–	–	1
Prepayments, deposits and other receivables	8	–	2	–	–
Cash and bank balances	507	–	1	5	–
Bank overdraft	(2)	–	–	–	–
Accounts and bills payable	(7)	–	–	–	–
Provision for legal claims	(452)	–	–	–	–
Accrued liabilities and other payables	(857)	(2)	(10)	–	(89)
	(710)	(2)	(7)	5	(88)

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies: (continued)

(i) Currency risk: (continued)

Foreign currency denominated financial assets/(liabilities) are as follows: (continued)

	United States Dollar HK$ million	Great British Pound HK$ million	Renminbi Yuan HK$ million	New Taiwan Dollar HK$ million	Japanese Yen HK$ million
As at 31 December 2012					
Accounts and bills receivable	60	–	–	–	1
Prepayments, deposits and other receivables	12	–	1	–	–
Cash and bank balances and pledged deposits	510	–	1	5	–
Bank overdraft	(2)	–	–	–	–
Accounts and bills payable	(26)	–	–	–	–
Provision for legal claims	(426)	–	–	–	–
Accrued liabilities and other payables	(852)	(2)	(9)	–	(107)
Obligations under finance leases	(1)	–	–	–	–
	(725)	(2)	(7)	5	(106)

(ii) Sensitivity analysis:

The Group's major financial assets and liabilities are denominated in United States Dollar and Hong Kong Dollar. The Group is therefore not exposed to any significant currency risk exposure since the Hong Kong Dollar is linked with United States Dollar.

(iii) Fair value interest rate risk:

No significant fair value interest rate risk was noted as at the end of the reporting period.

(iv) Credit risk:

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Provisional Liquidators of the Company consider that the Group's credit risk is significantly reduced.

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies: (continued)

(iv) Credit risk: (continued)

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

The credit risk for bank balances is considered minimal as such amounts are placed with banks with good credit ratings.

(v) Liquidity risk:

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The maturity profile of the Group's financial liabilities based on the contractual undiscounted payments was as follows:

	Payable less than 1 year HK$ million	**Payable between 1 to 5 years** HK$ million	**Total contractual undiscounted cash flows** HK$ million	**Carrying amount** HK$ million
As at 31 December 2013				
Bank overdraft	**2**	**–**	**2**	**2**
Accounts and bills payable	**12**	**–**	**12**	**12**
Accrued liabilities and other payables	**3,309**	**–**	**3,309**	**3,309**
Provision for legal claims	**452**	**–**	**452**	**452**
	3,775	**–**	**3,775**	**3,775**
As at 31 December 2012				
Bank overdraft	2	–	2	2
Accounts and bills payable	31	–	31	31
Accrued liabilities and other payables	3,334	–	3,334	3,173
Provision for legal claims	452	–	452	426
Obligations under finance leases	1	–	1	1
	3,820	–	3,820	3,633

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies: (continued)

(vi) Fair value:

The fair value of financial assets and financial liabilities are determined by in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

(vii) Interest rate risk:

As at 31 December 2013, it is estimated that a general increase or decrease of one percentage point in interest rates, with all other variables held constant, would decrease or increase (2012: increase or decrease) the Group's loss after tax by approximately HK$4 million (2012: HK$18 million) and HK$4 million (2012: HK$18 million) respectively.

8. RELATED PARTY TRANSACTIONS

(a) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. There were no significant related party transactions entered by the Group during the year ended 31 December 2013.

(b) Compensation of key management personnel:

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

	2013 HK$ million	2012 HK$ million
Short-term employee benefits	**12**	14

9. REVENUE

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts, and licensing income from the Group's brands and trademarks, but excludes intra-group transactions.

An analysis of the Group's revenue by principal activity for the year is as follows:

	2013 HK$ million	2012 HK$ million
By principal activity:		
Sales of goods	**638**	979
Licensing income	**103**	136
	741	1,115

10. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging/(crediting):

	2013 HK$ million	2012 HK$ million
Depreciation of owned plant and equipment	**1**	1
Operating lease rentals in respect of land and buildings	**7**	10
Finance costs	**192**	268
Auditors' remuneration:		
Current year	**7**	7
Staff costs:		
Salaries and other benefits	**38**	57
Retirement benefit costs	**5**	5
	43	62
Cost of inventories recognised as expenses	**553**	851
Gain on disposal of plant and equipment	**–**	(2)
Release of other comprehensive loss of an associate	**–**	1
Under provision for loss on financial derivatives	**–**	4
Net foreign exchange loss	**–**	2
Interest income	**(6)**	(3)

11. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS

Directors' Remuneration

	Fees HK$ million	Basic salaries, housing allowances and other benefits HK$ million	Discretionary bonuses HK$ million	Total emoluments HK$ million
2013				
Mr. Christopher W. Ho	**0.6**	**–**	**–**	**0.6**
Mrs. Christine L. S. Asprey (resigned on 1 February 2013)	**–**	**0.2**	**–**	**0.2**
Mr. Duncan T. K. Hon (resigned on 11 March 2013)	**–**	**1.0**	**–**	**1.0**
Mr. Martin I. Wright (resigned on 12 March 2013)	**–**	**–**	**–**	**0.0**
	0.6	**1.2**	**–**	**1.8**
2012				
Mr. Christopher W. Ho	1.2	–	–	1.2
Mrs. Christine L. S. Asprey	–	0.6	–	0.6
Mr. Duncan T. K. Hon	–	5.4	1.0	6.4
Mr. Martin I. Wright	0.2	–	–	0.2
	1.4	6.0	1.0	8.4

The Group paid the directors' remuneration of Mr. Christopher W. Ho and Mrs. Christine L. S. Asprey via Caprice Group International Limited ("Caprice"), a company held by The Ho Family Trust Limited, for reimbursement of payroll and related expenses for certain directors and key management members of the Group. There are discrepancies between the above table and the Group's records in the possession of the Provisional Liquidators in respect of certain directors' remuneration.

11. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS (continued)

Employee Costs

During the year, the five highest paid individuals included one (2012: two) director(s), detail of whose emoluments are set out above. The emoluments of the remaining highest paid individual were as follows:

	2013 HK$ million	2012 HK$ million
Basic salaries, housing, other allowances and benefits in kind	**10**	6
Bonuses paid and payable	**–**	–
	10	6

The number of non-directors whose remuneration fell within the bands set out below is as follows:

HK$	**2013 Number of non-directors**	2012 Number of non-directors
500,001 – 1,000,000	**1**	–
1,500,001 – 2,000,000	**–**	1
2,000,001 – 2,500,000	**1**	2
3,000,001 – 3,500,000	**1**	–
4,500,001 – 5,000,000	**1**	–

Staff are entitled to receive a basic salary according to their contracts which are reviewed annually by the Group. In addition, staff are entitled to receive a discretionary bonus which is decided by the Group at its absolute discretion having regard to his/her performance.

12. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012:16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	2013 HK$ million	2012 HK$ million
The tax charge/(credit) comprises:		
Current year provision		
Hong Kong	**–**	2
Overseas	**(1)**	9
Under/(over) provision in prior year		
Hong Kong	**–**	(2)
Overseas	**14**	35
Deferred tax *(note 19)*		
Overseas	**(3)**	(4)
	10	40

The under provision of overseas tax of HK$35 million in 2012 representing the estimated withholding tax obligations underprovided on certain cash distributions received by the Group from Emerson during 2010 as a result of a subsequent notice from the tax authority in the United States regarding its decision on the nature of such distribution and the corresponding withholding tax obligations of the recipients. While the Company would vigorously dispute against the decision of the tax authority, the management considers it prudent to make such provision in 2012.

Reconciliation between tax charge and loss before tax at applicable tax rates is as follows:

	2013 HK$ million	2012 HK$ million
Loss before tax	**(187)**	(652)
Notional tax calculated at Hong Kong profits tax rate of 16.5%	**(31)**	(108)
Effect of different tax rates in overseas jurisdictions	**–**	5
Income and expenses not subject to tax	**29**	110
Unused tax losses not recognised	**1**	3
Under provision in prior year	**14**	33
Others	**(3)**	(3)
	10	40

13. DIVIDENDS

The Provisional Liquidators do not recommend the payment of a final dividend for the year ended 31 December 2013.

14. LOSS PER SHARE

The calculation of basic loss per share is based on the following data:

	2013 HK$ million	2012 HK$ million
Loss:		
Loss attributable to shareholders of the Company used in the basic loss per share calculation	**(191)**	(672)

	2013 Number of ordinary shares million	2012 Number of ordinary shares million
Shares:		
Weighted average number of ordinary shares for the purposes of basic loss per share	**460.2**	460.2

The Company did not have any potential ordinary shares during the above two years.

15. PLANT AND EQUIPMENT

	2013 HK$ million	2012 HK$ million
Cost:		
At 1 January	**118**	133
Additions	**–**	1
Disposals	**(1)**	(16)
At 31 December	**117**	118
Accumulated depreciation and impairment:		
At 1 January	**115**	130
Provided during the year	**1**	1
Disposals	**(1)**	(16)
At 31 December	**115**	115
Carrying values at 31 December	**2**	3

The above plant and equipment are depreciated on a straight-line basis at the rates from 14.3% to 33.3% (2012: from 14.3% to 33.3%) p.a.

The carrying values of plant and machineries held under finance leases at 31 December 2013 was nil (2012: HK$1 million).

16. INVESTMENT PROPERTIES

The carrying amount of investment properties comprises medium term leasehold land in Hong Kong.

The investment property in Hong Kong was valued at HK$1 million in 2013 (2012: HK$1 million), by opinions of the Provisional Liquidators, with reference to market evidence of transaction prices for similar properties.

17. INTERESTS IN AN ASSOCIATE

	2013 HK$ million	2012 HK$ million
Carrying value at 1 January	**–**	109
Share of post-acquisition results and reserves	**–**	(5)
Impairment loss recognised during the year	**–**	(95)
Reclassified as available-for-sale investments *(note 18)*	**–**	(9)
Carrying value at 31 December	**–**	–

Particulars of the Group's former associate are as follows:

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group **2013**	2012	Principal activities
Sansui Electric Co., Ltd. ("SEC")#	Japan	JPY5,794,263,000	**–**	–	Sale of audio, visual and other electronic products

Listed on the First Section of the Tokyo Stock Exchange before being delisted on 3 May 2012

During 2007, the Group increased its shareholding interests in SEC from 30% at 31 December 2006 to 40% at 31 December 2007. Since the Group had gained control over SEC's financial and operating policies, the interests in SEC had since June 2007 been accounted for as a subsidiary. SEC had subsequently been reclassified as an associate as a result of the Group's loss of its control over SEC's financial and operating policies with effect from 1 October 2011.

SEC became delisted from the Tokyo Stock Exchange on 3 May 2012 and has been put into the Civil Rehabilitation Procedures ("CRP") in Japan with effect from 15 May 2012. Following the commencement of the CRP, SEC has been administered under the supervision of the court appointed supervisor. In consequence of its complete loss of influence over the financial and operational matters of SEC, the Group has accordingly reclassified and accounted for its interests in SEC as available-for-sale investments instead of an associate since 15 May 2012.

The carrying value of the Group's interests in SEC was adjusted with an impairment provision of HK$95 million to its fair value at HK$9 million with reference to the latest development of SEC's CRP which was uncertain at that time and its latest available statement of financial position which exhibited a substantial shareholders' deficiency as at 30 June 2012.

17. INTERESTS IN AN ASSOCIATE (continued)

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

	2013 HK$ million	2012 HK$ million
Total assets	**–**	–
Total liabilities	**–**	–
Net assets	**–**	–
Group's share of net assets of an associate	**–**	–
Revenue	**–**	–
Loss	**–**	(8)
Group's share of results of an associate	**–**	(3)
Group's share of other comprehensive loss of an associate	**–**	(2)

18. AVAILABLE-FOR-SALE INVESTMENTS

	2013 HK$ million	2012 HK$ million
Unlisted investments outside Hong Kong:		
Carrying value at 1 January	**–**	–
Interests in an associate reclassified as available-for-sale investments *(note 17)*	**–**	9
Impairment loss recognised during the year	**–**	(9)
Carrying value at 31 December	**–**	–

The available-for-sale investments represent the Group's 40% shareholding interests in SEC.

On 3 May 2012, SEC became delisted from the Tokyo Stock Exchange and has been put into the CRP in Japan with effect from 15 May 2012. Following the commencement of the CRP, SEC has been administered under the supervision of the court appointed supervisor. In consequence of its complete loss of influence over the financial and operational matters of SEC, the Group has accordingly reclassified and accounted for its interests in SEC as available-for-sale investments instead of an associate since 15 May 2012.

On 27 December 2012, the Japan Court endorsed and approved the CRP and discharged the court supervisor. On 4 July 2014, a bankruptcy petition was presented against SEC. On 9 July 2014, SEC was put into bankruptcy and Ms. Aizawa Mitsue was appointed its bankruptcy trustee on the same date.

19. DEFERRED TAX ASSETS

(a) Deferred tax assets recognised:

The major components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Decelerated tax depreciation HK$ million	Tax losses HK$ million	Total HK$ million
At 1 January 2012	11	13	24
(Charged)/credited to profit or loss *(note 12)*	(1)	5	4
At 31 December 2012 and 1 January 2013	10	18	28
Credited to profit or loss *(note 12)*	–	3	3
At 31 December 2013	10	21	31

(b) Deferred tax assets not recognised:

The deferred tax assets have not been recognised in respect of the following items:

	2013 HK$ million	2012 HK$ million
Tax losses carried forward	**568**	536
Decelerated depreciation allowances	**45**	46
	613	582

The above tax losses are available indefinitely for offsetting against future taxable profits of the subsidiaries.

In accordance with the accounting policy set out in note 5, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$613 million (2012: HK$582 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

20. BRANDS AND TRADEMARKS

	2013 HK$ million	2012 HK$ million
Gross amount		
At 1 January	**999**	1,329
Foreign currency adjustment	**–**	(3)
Impairment loss recognised during the year	**(33)**	(327)
At 31 December	**966**	999
Accumulated amortisation at 31 December	**(228)**	(228)
Carrying amount at 31 December	**738**	771

Prior to 1 January 2005, brands and trademarks were amortised over their estimated useful lives but not more than 20 years and stated at their cost less accumulated amortisation and impairment losses. On 1 January 2005, the Group reassessed the useful lives of the brands and trademarks and concluded that all brands and trademarks have indefinite useful lives.

The various brands and trademarks held by the Group have been legally registered in the worldwide countries for certain years and the trademarks registration is renewable at minimal cost. The management of the Company is of the opinion that the Group will renew these trademarks continuously and has the ability to do so. Various assessments including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by the management of the Group, which supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the brands and trademarks are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually or more frequently when there are indications of impairment. Particulars of the impairment testing are disclosed in note 22.

The Group recorded a non-cash impairment charge of HK$10 million associated with the fully provision of its Olevia trademark as at 31 December 2012 with reference to the valuation report prepared by an independent professional valuer, on the replacement cost method under the asset-based (or cost) approach.

The Group recorded a non-cash impairment charge of HK$31 million (2012: HK$317 million) associated with the partial provision of its Akai trademark as at 31 December 2013 with reference to the valuation report prepared by an independent professional valuer on the basis of fair value standard on the premise of continued use approach.

The Group recorded a non-cash impairment charge of HK$2 million associated with the fully provision of its H.H. Scott trademark as at 31 December 2013 with reference to the valuation prepared by management, on the basis of fair value under the income approach.

21. OTHER ASSETS

	2013 HK$ million	2012 HK$ million
Other deferred assets:		
Gross amount	**11**	11
Accumulated amortisation and impairment	**(11)**	(11)
Carrying amount of other deferred assets at beginning and end of year	**–**	–
Other receivables	**1**	1
Total other assets at end of year	**1**	1

22. IMPAIRMENT TESTING ON GOODWILL, BRANDS AND TRADEMARKS

Goodwill, brands and trademarks are allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	Goodwill		Brands and trademarks	
	2013 HK$ million	2012 HK$ million	2013 HK$ million	2012 HK$ million
Emerson	**13**	13	**463**	465
Licensing	**–**	–	**275**	306
	13	13	**738**	771

The recoverable amount of the CGU is determined based on value-in-use calculations. Cash flow projections are used in these calculations, which are based on financial projections approved by management. The brands and trademarks are considered by management as having indefinite useful lives. The licensing operation will command a long-term commitment over a time horizon of more than five years in building, nurturing and growing the brand recognition and establishing and expanding the distribution network in any geographical region. A ten-year financial budget, based on management's approved long-term plans of product development and business expansion, is therefore used for testing the impairment of these brands and trademarks.

The discount rates used for value-in-use calculations are in a range of 10% to 19% (2012: 10% to 19%). The management determines the budgeted gross margin based on past performance and its expectation of market development. The growth rates used to extrapolate cash flow projections beyond the ten-year financial budget are in a range of 2% to 5% (2012: 3% to 5%).

23. INVENTORIES

The inventories represent finished goods stated at lower of cost and net realisable values.

24. ACCOUNTS AND BILLS RECEIVABLE

The Group allows an average credit period of 30 to 60 days to its trade customers.

	2013 HK$ million	2012 HK$ million
Gross amount	**155**	129
Less: allowance for doubtful debts	**(61)**	(68)
Net amount	**94**	61

The Provisional Liquidators considered that the carrying amounts of accounts and bills receivable approximate to their fair values.

The movement of allowance for doubtful debts is as follows:

	2013 HK$ million	2012 HK$ million
At beginning of year	**68**	76
Foreign currency adjustment	**(1)**	–
Written off	**(6)**	(8)
At end of year	**61**	68

Included in the above allowance for doubtful debts is a provision for individually impaired accounts and bills receivable of HK$61 million (2012: HK$68 million) with a carrying amount before provision of HK$155 million (2012: HK$129 million). The individually impaired accounts and bills receivable in respect of receivables are not expected to be recovered.

The aged analysis of accounts and bills receivable (net of allowance for doubtful debts) is as follows:

	2013 HK$ million	2012 HK$ million
0 – 3 months	**94**	61
3 – 6 months	**–**	–
	94	61

24. ACCOUNTS AND BILLS RECEIVABLE (continued)

In addition, some of the unimpaired accounts and bills receivable are past due as at the end of the reporting period. The aged analysis of accounts and bills receivable past due but not impaired is as follows:

	2013 HK$ million	2012 HK$ million
0 – 3 months	**24**	13
3 – 6 months	**–**	–
	24	13

Before accepting any new customer, the management assesses the potential customer's credit quality with reference to the customer's reputation and market standing and defines the credit limits accordingly. Continuity of the credit limits to the customers is reviewed by management as and when necessary. Based on the aforesaid assessment, the above past due but not impaired accounts and bills receivable are still considered to be fully recoverable.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2013 HK$ million	2012 HK$ million
Prepayments	**17**	8
Deposits	**2**	2
Other receivables	**19**	8
	38	18

26. CASH AND BANK BALANCES

	2013 HK$ million	2012 HK$ million
Cash	**1**	–
Cash in transit	**3**	–
Bank balances	**149**	202
Money market deposit with maturing date within three months	**78**	47
Bank certificates of deposit with maturing date more than three months	**289**	272
	520	521

27. ACCOUNTS AND BILLS PAYABLE

The aged analysis of accounts and bills payable is as follows:

	2013 HK$ million	2012 HK$ million
0 – 3 months	**7**	22
3 – 6 months	**–**	4
Over 6 months	**5**	5
	12	31

To the extent of HK$7 million (2012: HK$26 million) of accounts and bills payable of Emerson, the Provisional Liquidators considered that the carrying amounts of accounts and bills payable approximate to their fair values.

28. ACCRUED LIABILITIES AND OTHER PAYABLES

	2013 HK$ million	2012 HK$ million
Accrued expenses and provisions	**102**	114
Amounts due to a former associate	**571**	578
Amounts due to former related companies	**2,306**	2,149
Other payables	**330**	332
	3,309	3,173

The amounts due to a former associate in aggregate of HK$571 million (2012: HK$578 million) are secured, non-interest bearing and have no fixed terms of repayment.

On 9 January 2014 the Provisional Liquidators caused the subsidiaries of the Company, to commence legal proceedings against (1) Sansui Electric Co. Limited, registered in Japan (“SEC”) and (2) Sansui Sales Pte. Limited (“SSPL”). Both SEC and SSPL were former associates of the Group.

The legal proceedings are to set aside or rescind a deed of share pledge between Sansui Electric Co. Limited, registered in the BVI (“Sansui BVI”), a wholly owned subsidiary of the Group, and SEC dated 3 March 2009 (the “Share Pledge”) which purports to pledge to SEC all of the shares of Sansui Acoustics Research Corporation, registered in the BVI (“SARC”), a wholly owned subsidiary of the Group. SARC owns worldwide rights to the Sansui trademarks. In parallel, the Provisional Liquidators are also prosecuting a summons under section 221 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) against former members of the management and accounting functions of the Company and its subsidiaries to obtain information and documents relating to the Share Pledge (the “Section 221 Summons”).

28. ACCRUED LIABILITIES AND OTHER PAYABLES (continued)

Based on the material currently available to us and subject to any further information or documents to be obtained from the Section 221 Summons, the Provisional Liquidators are of the view that the deposits and debts that the Share Pledge purports to secure are not genuine and bona fide and therefore the Share Pledge should be rescinded or declared void.

A Concurrent Writ of Summons is being served on SEC and has been served on SSPL. The Provisional Liquidators advise that the statement of claim has been filed with the High Court on 13 August 2014. Both SEC and SSPL have indicated that they intend to challenge the jurisdiction of the Hong Kong Court to hear the dispute. In the meantime, the Provisional Liquidators have obtained an injunction order prohibiting SEC and SSPL from dealing with or exercising any right in the shares of SARC, whether under the Share Pledge or otherwise. The injunction order will remain in place until further order of the court.

Following the winding-up order was granted against the Company by the High Court on 12 September 2013, all the interest bearing borrowings of the Group has since 12 September 2013 been accounted for as non-interest bearing borrowings of the Group.

The amounts due to former related companies in aggregate of HK$2,306 million are unsecured, non-interest bearing and repayable on demand (2012: included in the amounts due to former related companies is an amount of HK$2,135 million, which is unsecured, bearing interest at 0.25% above the Hong Kong dollar prime rates per annum plus a default interest rate at 5% p.a., the remaining balance is unsecured, non-interest bearing and repayable on demand).

Included in the other payables are amounts in aggregate of HK$262 million (2012: HK$254 million) which have been overdue for payment since 2010. Such balances are secured by the Group's shareholding interest in its certain subsidiaries and available-for-sale investments, in which HK$88 million (2012: HK$85 million) is non-interest bearing (2012: bearing interest at 5.599% p.a.) and HK$45 million (2012: HK$45 million) is non-interest bearing (2012: bearing interest at 14% p.a.).

Certain claims and liabilities would be subject to the determination of the Court in accordance with section 194 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and rule 45 of the Companies (Winding-Up) Rules.

29. PROVISION FOR LEGAL CLAIMS

In 2005, certain plaintiffs obtained a default judgment against a defunct entity, GrandeTel Technologies, Inc., which was an associate of the Group before its disposal in 2004, for approximately US$37 million in the United States of America ("USA"). In December 2006, an action was filed by these plaintiffs claiming that the Company should be responsible for the amount of the default judgment. The case went to trial in December 2010 and January 2011. On 16 May 2011, a Statement of Decision was handed down by the Superior Court for the State of California, under which the Company is obliged to settle a total amount of US$48 million with interest at the rate of 10% per annum.

The amount was allegedly sold to another party, by way of an assignment dated 10 January 2014, who then filed their claim against the Company in place of the aforesaid creditor. The amount would be subject to the determination of the Court in accordance with section 194 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and rule 45 of the Companies (Winding-Up) Rules.

30. LOSS ON SETTLEMENT OF LITIGATION

Emerson Radio Corp. ("Emerson"), which is listed on the NYSE Alternext US and is a 56% owned subsidiary of the Group, has been a defendant in a lawsuit known as *Fred Kayne, et al., vs. Christopher Ho, et al.* (the "Kayne Litigation") since July 2011, which was filed in the United States District Court for the Central District of California alleging, among other things, that Emerson, certain of its present and former directors and other entities or individuals now or previously associated with the Company, intentionally interfered with the ability of the plaintiffs to collect on a judgment they had against the Company.

After the commencement of the Kayne Litigation trial, which began on 3 December 2013, Emerson entered into a settlement agreement with the Plaintiffs, effective as of 19 December 2013, for reasons of economy and finality, whereby Emerson provided for a cash payment of US$4 million (approximately HK$31 million) and terms and facts of the settlement agreement may not be construed as an admission by any party as to the merits of any of the claims or defenses resolved therein, which fully resolves and settles all outstanding and potential claims against Emerson in the Kayne Litigation without acknowledging or attributing fault or liability on the part of Emerson.

31. SETTLEMENT OF TAX DISPUTE

In 2006, an action in respect of the tax dispute was filed by the plaintiff, Wyncoast Industrial Park Public Company Limited ("Wyncoast") (formerly known as Capetronic International (Thailand) Public Company Limited), which was a 83% owned subsidiary of the Group before its disposal in December 2003, to the defendant, the Revenue Department of Thailand, in Central Tax Court of Thailand to deduct its withholding tax and corporate income tax for the duration from 1 January 2001 to 31 December 2002. In September 2012, a final judgment was handed down by the Supreme Court of Thailand, under which Wyncoast is liable to pay the unpaid tax together with penalty and surcharge making a total amount of Baht 115 million (approximately HK$29 million). A guarantee was granted to Wyncoast in respect of its tax dispute with Revenue Department of Thailand by the Company in 2005, as a result, such amount was expensed by the Group during the year 2012.

32. SHARE CAPITAL AND SHARE PREMIUM

	2013 HK$ million	2012 HK$ million
Authorised share capital:		
1,000,000,000 ordinary shares of HK$0.10 each	**100**	100
Issued and fully paid share capital:		
460,227,320 ordinary shares of HK$0.10 each	**46**	46
Share premium	**1,173**	1,173

33. DISPOSAL OF SUBSIDIARIES

Summary of the effects on disposal of subsidiaries

	2013 HK$ million	2012 HK$ million
Net assets disposed of	**–**	–
Gain on disposal of subsidiaries	**–**	3
	–	3
Represented by:		
Cash received	**–**	5
Release of reserve	**–**	(2)
	–	3

The subsidiaries disposed of during the year 2012 had no material effect on the operating loss and cash flow of the Group.

The analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2013 HK$ million	2012 HK$ million
Cash received	**–**	5

34. CONTINGENT LIABILITIES

	2013 HK$ million	2012 HK$ million
Guarantee of trade finance banking facilities granted to former subsidiaries	**1**	3

On 15 April 2013 and 5 June 2013, Emerson received correspondence from the U.S. Internal Revenue Service (the "IRS") including a Form 5701 and Form 886-A Adjusted Sales Income ("NOPA 1"). Emerson is disputing the proposed adjustment with the IRS. In the event that Emerson is not successful in its dispute, Emerson estimates that it could be liable for a maximum in taxes, penalties and interest of approximately US$13.3 million (approximately HK$103 million) pertaining to NOPA 1, in the aggregate, for its Fiscal 2010 to Fiscal 2013 periods. However, because Emerson's current assessment is that its appeal of NOPA 1 is more likely than not to be successful, Emerson has not recorded any liability and as a result, the Group has not recorded any liability related to NOPA 1 for the year ended 31 December 2013.

35. OPERATING LEASE COMMITMENTS

	2013 HK$ million	2012 HK$ million
The future minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:		
Not later than one year	**1**	6
Later than one year and not later than five years	**1**	–
	2	6

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 years (2012: 2 years) and rentals are fixed for an average of 2 years (2012: 2 years).

36. BANKING AND OTHER BORROWING FACILITIES

Certain banking and other borrowing facilities available to the Group were secured by assets for which the aggregate carrying values were as follows:

		2013 HK$ million	2012 HK$ million
(a)	Legal charges over plant and machineries	**–**	1
(b)	Pledge of unlisted shares of a subsidiary	**19**	19
(c)	Pledge of listed shares of a subsidiary	**–**	130
(d)	Pledge of bank deposits	**–**	1
		19	151

37. PROVIDENT FUND SCHEMES

From 1 December 2000 onwards, all the staff of the Group in Hong Kong were offered the opportunity to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), introduced by the Government of the Hong Kong Special Administrative Region. Under the MPF Scheme, both the employees and the employers are required to contribute 5% of the employees' monthly salaries up to a maximum of HK$1,250 (HK$1,000 prior to 1 June 2012) (the "Mandatory Contribution"), the employees can choose to make additional contributions. The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement at the age of 65 years old, death or total incapacity.

The staff in United States of America who wish to participate in the plan may contribute up to the legal limits, to which a specified percentage is matched by the subsidiaries in accordance with their plans.

The Group also operates various retirement benefit schemes for qualifying employees of its overseas subsidiaries in Singapore. The assets of the retirement benefit schemes are held separately from those of the Group, in funds under control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the schemes, which contribution is matched by employees.

38. SEGMENT REPORTING

The Group currently organises its operations into the following reportable operating segments.

Operating segments	**Principal activities**
Emerson	Distribution of audio and video products and licensing business – Comprising a group listed on the NYSE Alternext US
Licensing	Licensing business – Comprising the brands and trademarks, namely, Akai, Sansui and Nakamichi

38. SEGMENT REPORTING (continued)

(a) Segment information

	Emerson HK$ million	Licensing HK$ million	Inter-segment elimination HK$ million	Unallocated HK$ million	Consolidated HK$ million
2013					
Revenue:					
Sales of goods to external customers	638	–	–	–	638
Licensing income from external customers	45	58	–	–	103
Total	683	58	–	–	741
Results:					
Segment results	25	47	–		72
Unallocated corporate expenses				(8)	(8)
					64
Impairment loss recognised in respect of brands and trademarks	(2)	(31)		–	(33)
Allowance for doubtful debts				(1)	(1)
Loss on settlement of litigation				(31)	(31)
Interest income				6	6
Finance costs				(192)	(192)
Tax				(10)	(10)
Loss for the year					(197)
Assets:					
Segment assets	1,189	2,781	(2,624)	139	1,485
Liabilities:					
Segment liabilities	620	3,425	(3,603)	3,415	3,857
Other information:					
Revenue from:					
– the first largest customer	375	–	–	–	375
– the second largest customer	210	–	–	–	210
Depreciation	1	–	–	–	1
Capital expenditure	–	–	–	–	–

38. SEGMENT REPORTING (continued)

(a) Segment information (continued)

	Emerson HK$ million	Licensing HK$ million	Inter-segment elimination HK$ million	Unallocated HK$ million	Consolidated HK$ million
2012					
Revenue:					
Sales of goods to external customers	979	–	–	–	979
Licensing income from external customers	55	81	–	–	136
Total	1,034	81	–	–	1,115
Results:					
Segment results	91	56	–		147
Unallocated corporate expenses				(27)	(27)
					120
Gain on disposal of plant and equipment	–	–		2	2
Impairment loss recognised in respect of –					
Brands and trademarks	(10)	(317)		–	(327)
Interests in an associate	–	(95)		–	(95)
Available-for-sale investments	–	(9)		–	(9)
Release of other comprehensive loss of an associate	–	(1)		–	(1)
Gain on disposal of subsidiaries				3	3
Allowance for doubtful debts				(44)	(44)
Under provision for loss on financial derivatives				(4)	(4)
Settlement of tax dispute				(29)	(29)
Interest income				3	3
Finance costs				(268)	(268)
Share of results of an associate				(3)	(3)
Tax				(40)	(40)
Loss for the year					(692)
Assets:					
Segment assets	1,227	2,858	(2,678)	116	1,523
Liabilities:					
Segment liabilities	642	3,458	(3,616)	3,232	3,716
Other information:					
Revenue from:					
– the first largest customer	478	–	–	–	478
– the second largest customer	424	–	–	–	424
Depreciation	1	–	–	–	1
Capital expenditure	1	–	–	–	1

38. SEGMENT REPORTING (continued)

(b) Geographical information

	Revenue		Carrying amount of segment assets		Capital expenditure incurred during the year	
	2013	2012	**2013**	2012	**2013**	2012
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Asia	**51**	64	**257**	216	**–**	–
North America	**687**	1,039	**351**	420	**–**	1
Europe	**3**	12	**–**	–	**–**	–
Unallocated	**–**	–	**738**	771	**–**	–
	741	1,115	**1,346**	1,407	**–**	1

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiaries	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2013	2012	Principal activities/ place of operation
Directly held by the Company:					
The Grande (Nominees) Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding/ Hong Kong
Grande N.A.K.S. Ltd	British Virgin Islands	US$10,000	**100%**	100%	Investment holding/ Hong Kong
Unijoy Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding/ Hong Kong
Indirectly held by the Company:					
Innovative Capital Ltd	British Virgin Islands	US$100	**100%**	100%	Corporate finance and investment holding/ Hong Kong
Tomei Kawa Electronics International Limited	British Virgin Islands	US$1	**100%**	100%	Trademarks licensing/ Hong Kong
Sansui Enterprises Limited	British Virgin Islands	US$1	**100%**	100%	Trademarks licensing/ Hong Kong
Nakamichi Enterprises Limited	British Virgin Islands	US$10,001	**100%**	100%	Investment holding/ Hong Kong

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2013	2012	Principal activities/ place of operation
TWD Industrial Company Limited	British Virgin Islands	US$1	**100%**	100%	Brands and trademarks holding and licensing/ Hong Kong
Hi-Tech Precision Products Ltd	British Virgin Islands	US$1	**100%**	100%	Investment holding/ Hong Kong
Sansui Acoustics Research Corporation	British Virgin Islands	US$1,000	**100%**	100%	Brands and trademarks holding and licensing/ Hong Kong
Capetronic Display Devices Holdings Limited	British Virgin Islands	US$100	**100%**	100%	Investment holding/ Hong Kong
Akai Electric Co., Ltd.	Japan	JPY10,000,000	**88%**	88%	Inactive
Phenomenon Agents Limited	British Virgin Islands	US$50,000	**88%**	88%	Brands and trademarks holding and licensing/ Hong Kong
S&T International Distribution Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding/ Hong Kong
Emerson Radio Corp. #	United States of America	US$529,000	**56%**	56%	Distribution of household appliances and products/ United States of America

Listed on the NYSE Alternext US.

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

Name of subsidiaries	Place of incorporation/ registration and operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) attributable to non-controlling interests		Other comprehensive income/(loss) attributable to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	**2013 HK$ million**	2012 HK$ million	**2013 HK$ million**	2012 HK$ million	**2013 HK$ million**	2012 HK$ million
Akai Electric Co., Ltd.	Japan	**12%**	12%	**(2)**	(54)	**22**	16	**(14)**	(34)
Emerson Radio Corp.	United States of America	**44%**	44%	**(4)**	34	**–**	(1)	**455**	459
				(6)	(20)	**22**	15	**441**	425

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

	Akai Electric Co., Ltd		Emerson Radio Corp.	
	2013	2012	**2013**	2012
	HK$	HK$	**HK$**	HK$
	million	million	**million**	million
Non-current assets	**156**	187	**496**	496
Current assets	**667**	753	**591**	656
Current liabilities	**(1,280)**	(1,542)	**(47)**	(104)
(Deficiency)/balance of equity attributable to shareholders of the Company	**(443)**	(568)	**585**	589
Revenue	**22**	43	**683**	1,034
Expenses	**(40)**	(448)	**(691)**	(958)
(Loss)/profit for the year	**(18)**	(405)	**(8)**	76
Other comprehensive income/(loss) for the year	**163**	122	**–**	(1)
Net cash inflow/(outflow) from operating activities	**5**	(4)	**(23)**	121
Net cash outflow from investing activities	**–**	–	**(10)**	(267)
Net cash inflow/(outflow) from financing activities	**1**	4	**(1)**	–
Net cash inflow/(outflow)	**6**	–	**(34)**	(146)

40. EVENTS AFTER THE REPORTING PERIOD

By a letter dated 28 June 2013 (the "Letter"), the Stock Exchange informed the Company that the resumption proposal dated 21 June 2013 has not satisfactorily demonstrated sufficiency of operations or assets under Rule 13.24 of the Listing Rules and the Stock Exchange has decided to place the Company in the third stage of delisting under Practice Note 17 to the Listing Rules with effect from 11 July 2013. The third stage of delisting will expire on 10 January 2014. At the end of the third stage of delisting, the Stock Exchange intends to cancel the listing if the Company fails to provide a viable resumption proposal.

It is set out in the Letter that the Stock Exchange requests the Company to submit a viable resumption proposal to address the following issues at least 10 business days before the aforesaid expiry date of the third stage of delisting, among other things, that:

(i) demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules;

(ii) publish outstanding financial results and address any audit qualifications;

(iii) demonstrate sufficient working capital for at least twelve months from resumption date; and

(iv) demonstrate adequate and effective internal control system to meet the obligations under the Listing Rules.

According to an announcement made by the Stock Exchange on 11 July 2013, the Company has a period of six months to submit a viable resumption proposal to the Stock Exchange. If the Company has not submitted a viable resumption proposal as requested, the Stock Exchange intends to cancel the listing of the Company on the expiry of the six months from the date of that announcement (i.e. by 10 January 2014).

On 12 November 2013, the Provisional Liquidators received a preliminary restructuring proposal from Sino Bright. The Provisional Liquidators received a revised restructuring proposal from Sino Bright on 2 December 2013. On 20 December 2013, the Company submitted the resumption proposal of Sino Bright to the Stock Exchange. During January 2014 to June 2014, the Company on various occasions and at the request of the Stock Exchange submitted further information to the Stock Exchange in respect of the resumption proposal.

On 2 May 2014, the Company, the Provisional Liquidators and Sino Bright entered into the Restructuring Agreement to implement the Restructuring Proposal. Under the terms of the Restructuring Agreement, all existing businesses and operations of the Group, including the operations of Emerson and the licensing operations related to the Akai, Nakamichi and Sansui trademarks, will be retained.

On 9 July 2014, the Provisional Liquidators submitted an updated resumption proposal (the "Updated Resumption Proposal") to the Stock Exchange, involving, *inter alia*, the capital reorganisation, creditors' schemes of arrangement in accordance with Section 99 of the Companies Act and section 670 of the Hong Kong Companies Ordinance and a proposed open offer. The Updated Resumption Proposal consolidates the Resumption Proposal and subsequent submissions made by the Company to the Stock Exchange, to reflect the terms of the Restructuring Agreement as amended from time to time in implementing the Restructuring Proposal.

41. FINANCIAL INFORMATION OF THE COMPANY

	2013 HK$ million	2012 HK$ million
NON-CURRENT ASSETS		
Amount due from a subsidiary	**1,260**	1,277
CURRENT ASSETS		
Prepayments, deposits and other receivables	**15**	1
Cash in transit	**3**	–
	18	1
CURRENT LIABILITIES		
Amounts due to subsidiaries	**183**	180
Amounts due to former related companies	**2,293**	2,135
Accrued liabilities and other payables	**224**	224
Provision for legal claims	**452**	426
	3,152	2,965
NET CURRENT LIABILITIES	**(3,134)**	(2,964)
NET LIABILITIES	**(1,874)**	(1,687)
CAPITAL AND RESERVES		
Share capital	**46**	46
Share premium	**1,173**	1,173
Reserves	**(3,093)**	(2,906)
DEFICIENCY OF EQUITY	**(1,874)**	(1,687)

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Provisional Liquidators on 29 August 2014.