世達科技(控股)有限公司

World Wide Touch Technology (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1282

Corporate Profile

World Wide Touch Technology (Holdings) Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 17 July 2009.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in the manufacturing of a range of high-technology products; trading and providing services with respect to automation-related equipment; and strategic investment and development in technologies mainly relating to biometric security, high-speed wireless data transmission and communications.

Since July 2013, the Group has expanded its biometric service offerings and launched the world's first biometric fingerprint privacy protection platform and devices — *FingerQ and PrivacQ* — to strengthen its position as the leading provider of patented biometric security solutions.

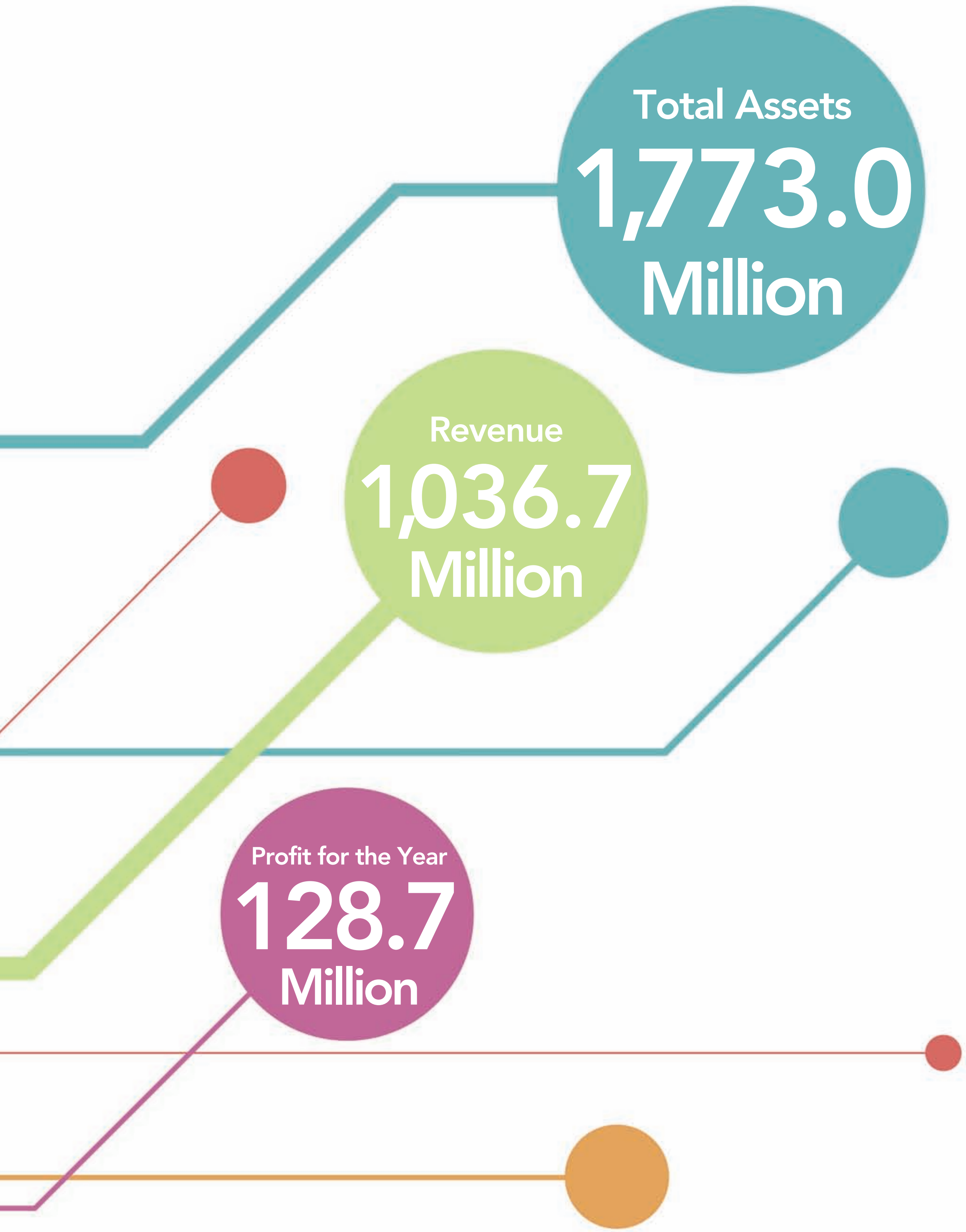
With a vision to become **the purveyor of "life technologies" that facilitate and improve the daily life of users**, the Group strives to introduce cutting-edge technologies into its products and implement strategic development plans in an effort to promote the diversification of its product mix, as well as to enlarge its market share.

The Company has been listed on The Stock Exchange of Hong Kong Limited since 15 December 2010 (Stock code: 1282).

Patented Biometric
Security Solutions

Annual Report 2013

Financial Summary



FINANCIAL HIGHLIGHTS

	As of 31 December				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
FINANCIAL POSITION					
Total assets	**1,772,950**	1,739,130	1,622,879	1,645,235	848,071
Net assets	**1,203,720**	1,065,534	1,116,369	1,006,324	242,107
Net current assets/(liabilities)	**214,260**	183,432	438,184	552,306	(69,649)
Net (cash)/debt	**(20,270)**	(2,866)	(269,426)	(320,671)	171,065
Current ratio	**1.4**	1.3	1.9	1.9	0.9
Quick ratio	**1.1**	1.0	1.5	1.6	0.7
Gearing ratio	**N/A**	N/A	N/A	N/A	41%

	For the year ended 31 December				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
OPERATING RESULTS					
Revenue	**1,036,662**	1,200,435	1,164,122	1,391,647	888,348
Gross profit	**31,843**	125,835	213,630	376,366	258,546
EBITDA	**234,610**	47,953	166,798	318,684	206,658
Profit/(loss) from operations	**144,244**	(48,939)	83,466	262,069	171,882
Profit/(loss) for the year	**128,666**	(54,608)	71,102	213,667	153,130
Profit/(loss) attributable to equity shareholders	**128,666**	(54,608)	71,102	213,667	151,655
KEY STATISTICS					
Gross profit margin	**3%**	10%	18%	27%	29%
EBITDA margin	**23%**	4%	14%	23%	23%
Operating profit/(loss) margin	**14%**	(4%)	7%	19%	19%
Net profit/(loss) margin	**12%**	(5%)	6%	15%	17%
Return on equity	**11%**	N/A	6%	21%	62%
Interest coverage	**16**	N/A	8.1	25.9	20.4
Inventory turnover days	**59**	60	71	54	40
Debtors' turnover days	**82**	62	59	59	56
Creditors' turnover days	**61**	54	66	83	108

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Wong Kwok Fong
(Chairman and Chief Executive Officer)
Ms. Ching Pui Yi *(Chief Operating Officer)*
Mr. Tan Hui Kiat *(Corporate Affairs Officer)*

Independent Non-Executive Directors

Mr. Wong Chun Bong
Professor Lee Kwok On, Matthew
Mr. Chan Wai

Audit Committee

Mr. Wong Chun Bong *(Chairman)*
Professor Lee Kwok On, Matthew
Mr. Chan Wai

Nomination Committee

Mr. Wong Kwok Fong *(Chairman)*
Mr. Wong Chun Bong
Mr. Chan Wai

Remuneration Committee

Mr. Chan Wai *(Chairman)*
Mr. Wong Kwok Fong
Mr. Wong Chun Bong

Strategic Intellectual Property and Technology Committee

Mr. Wong Kwok Fong *(Chairman)*
Mr. Tan Hui Kiat
Professor Lee Kwok On, Matthew

Company Secretary

Ms. Kwok Ling Yee, Pearl Elizabeth

Principal Bankers

Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited
Bank of China Limited
Industrial and Commercial Bank of China Limited

Financial Adviser

CMB International Capital Limited

Legal Adviser

As to Hong Kong Law:
Sidley Austin

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

Suites 2601–2, 26/F, Tower 2, Nina Tower
8 Yeung Uk Road, TWTL 353, Tsuen Wan
New Territories, Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong
(Existing Public Office until 30 March 2014)

Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
(New Public Office with effect from 31 March 2014)

Listing Venue

Main Board of The Stock Exchange of Hong Kong Limited

Stock Code

1282

Company Website

http://www.wwtt.hk

Business Milestones

Patents Garnered

April 17, 2013

Received two patent certificates from the State Intellectual Property Office ("SIPO") of the People's Republic of China in relation to an identity authentication device and an instant messaging system. The patented technologies are for biometric applications, comprising encryption and decryption technology for point-to-point and point-to-group information sharing, and with relevance to internet messaging, chat, e-commerce and enterprise applications, as well as the ability to take advantage of the Group's security platform.

April 24, 2013

Received two patent certificates from SIPO in relation to a media communication system and a communication messaging system.

Reputable International Associations Joined

May 8, 2013

FingerQ, the Company's patented biometric security software platform, has joined the Fast IDentity Online Alliance (the "FIDO Alliance") as a sponsor, and will contribute its expertise in secure online social networking.

July 22, 2013

FingerQ has joined the Global System for Mobile Communications Association (the "GSMA") as an associate member.

Products Launches

May 15, 2013

Launched FingerQ using PowerON Compute, SingTel's Infrastructure-as-a-service which provides scalability of computing resources according to the needs of the user. PowerON Compute is a reliable and secure cloud computing solution that allows businesses to harness the power of IT without having to incur high up-front costs.

July 23, 2013

The soft launch of FingerQ was conducted in Hong Kong via a press conference at Hotel LKF, Central, Hong Kong on July 23, 2013 and received overwhelming positive response from the media and business partners.

August 18, 2013

FingerQ's launch campaign in Hong Kong employed a variety of platforms, including buses, MTR stations, trams and roadside shelters.

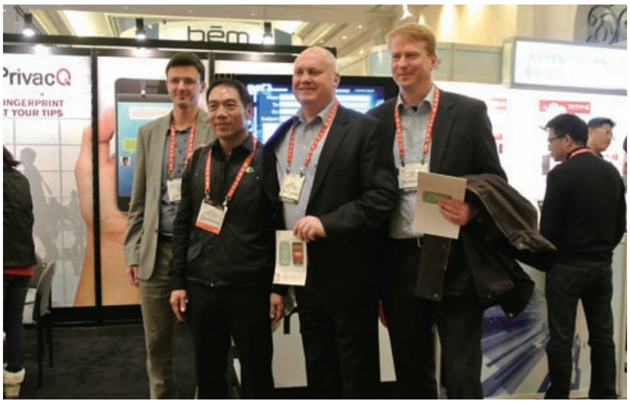
October 20, 2013

Launched FingerQ and PrivacQ in Singapore which are available at the reputable retail shops including Challenger, Courts, Newstead, DigiVue and Tech @ Vogue, and are backed by a full-year international warranty.

November 27, 2013

FingerQ officially entered the Taiwan market via Brown Sugar (Taipei City 101 Songren Road), receiving overwhelmingly positive response from the media and business partners.

Technology Shows / Events Attended



January 9, 2013

Participated in the Consumer Electronics Show ("CES") 2013 in Las Vegas, USA, during which the FingerQ platform and PrivacQ products received highly favorable response from attendees.

February 25–28, 2013

Took part in Mobile World Congress 2013 in Barcelona, Spain during which the FingerQ secure chat platform and PrivacQ products were warmly received which further enhance FingerQ's global footsteps.

June 4–8, 2013

WWTT met with various customers including Toshiba, Fujitsu, Silex during Computex Taipei 2013 which took place at Taipei World Trade Center from June 4 to 8, 2013.

June 26–28, 2013

FingerQ served as a Platinum Sponsor of the 2013 Mobile Asia Expo Innovation Lab, which took place at the Shanghai New International Exhibition Center from June 26 to 28, 2013. Its secure chat platform and the latest PrivacQ products earned high praise from participants and attendees alike.

August 23–26, 2013

FingerQ participated in the Computer & Communications Festival 2013 at the Hong Kong Convention and Exhibition Centre in Wan Chai from August 23 to 26, 2013, and received overwhelmingly positive response.

October 14–17, 2013

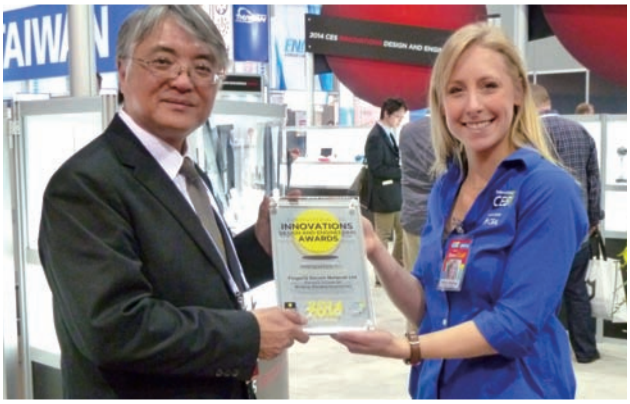
FingerQ participated in the 2013 Near Field Communication & Mobile Money Summit conference and exhibition held in New York, at the Metropolitan Pavilion from October 14 to 17, 2013, serving as one of the supporting sponsors.

October 17–20, 2013

FingerQ together with its partner participated in The 18th Macao International Trade & Investment Fair held at The Venetian Macao Convention & Exhibition Center from October 17 to 20, 2013.

November 20–23, 2013

FingerQ participated in Vietnam's most influential mobile and electronics event, the 15th International Exhibition in Vietnam on Telecommunications and Information Technology, held at the Saigon Exhibition & Convention Center, Vietnam from November 20 to 23, 2013.



Jan 7–10, 2014

WWTT participated in CES 2014 in Las Vegas, USA, from January 7 to 10, 2014, during which PrivacQ Q-Case S was named 2014 International CES Innovations Design and Engineering Awards Honoree in the Wireless Handset Accessories product category. The FingerQ patented Biometric Infra-Structure and latest PrivacQ products on display also enjoyed rave reviews from attendees.

Feb 24–27, 2014

Took part in Mobile World Congress 2014 in Barcelona, Spain during which the FingerQ secure chat platform and PrivacQ products were warmly received, underscoring FingerQ's international prestige in the mobile and technology market(s).

Chairman's Statement

THE FUTURE AT YOUR FINGERTIPS

"Since 2012, the Group has been undergoing a transformation, moving from a labor-intensive manufacturing-focused entity to a premium, innovative technologies company. The Group is committed to transforming technologies into user-friendly products for commercialization. With fingerprint biometric recognition now a leading trend in the mobile devices market, we believe this is an ideal opportunity to launch and market our patented biometric products, capitalizing on our first-mover advantage in such technologies."

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of World Wide Touch Technology (Holdings) Limited (the "Company"), I am pleased to present the results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013.

The audited net profit attributable to shareholders for the year ended 31 December 2013 increased by 335.6% to HK$128.7 million. Basic earnings per share were HK4.4 cents, an increase of 335.3%. Total shareholders' funds increased by 13.0% to HK$1,203.7 million. Net assets per share was HK$0.4, an increase of 13.0% on 2012, and average return on shareholders' funds reached 10.7%. The Board recommends the payment of a final dividend of HK0.4 cents per ordinary share for the 2013 year.

Since 2012, the Group has been undergoing a transformation, moving from a labor-intensive manufacturing-focused entity to a premium, innovative technologies company. We have subsequently realized a number of milestones along the way, including the quick rise of our global reputation in garnering patents and honing technologies for commercialization. With the proliferation of smart devices, and the resultant deluge of daily data traffic, combined with increasing concerns for privacy that have been further exacerbated by media reports about electronic eavesdropping and cyber espionage occurring around the world, we immediately recognized the need for data security solutions. We shrewdly shifted our business focus towards biometric technologies, an area that the Group has been involved in since 2009 — the emphasis of which is the safeguarding of data transmissions. Leveraging on our professional expertise in biometric technology and strong partnership channel, we have been able to raise our patent profile. Ultimately, it is our vision to provide inventive and efficient solutions that also protect consumers' peace of mind.

True to our proclaimed vision, the Group is committed to transforming technologies into user-friendly products for commercialization. With fingerprint biometric recognition now a leading trend in the mobile devices market, we believe this is the ideal opportunity to launch and market our patented biometric products, capitalizing on our first-mover advantage in such technologies. Already, our recent triumphs include FingerQ, the world's first biometric fingerprint privacy protection platform and PrivacQ, a biometric communication device. The former embraces a wide range of patented technologies that have been developed by the Group. The

FingerQ fingerprint encryption platform combines hardware, software, and cloud computing to offer consumers more comprehensive solutions. Consequently, FingerQ has completely raised mobile privacy and security to a whole new level. Both FingerQ and PrivacQ were launched on the Hong Kong, Taiwan and Singapore markets during the second half of 2013, while we also collaborated with Singapore Telecommunications Ltd. ("SingTel"), via their PowerON Compute cloud-based infrastructure.

While our retail operation is essential for enhancing brand recognition and contributes to the financial wellbeing of the Group, our ultimate objective is to establish cooperative ties with renowned technology companies leading to long-term business growth. Consistent with this objective, we joined the Fast Identity Online Alliance (the "FIDO Alliance") and the Global System for Mobile Communications Association (the "GSMA"). In both instances, we are able to contribute to the accelerated adoption of fingerprint biometric solutions, while at the same time enhance our exposure among top-tier technology companies that are also members of these associations.

To further increase our exposure and promote understanding of FingerQ and PrivacQ, we once again participated in a number of internationally recognized events, including the 2013 & 2014 Consumer and Electronics Show ("CES") in Las Vegas, Mobile World Congress 2013 & 2014 in Barcelona and 2013 GSMA Mobile Asia Expo in Shanghai. We were subsequently presented with CES innovation award 2014 for our FingerQ solution, which represented high recognition from the market.

Our ability to capture the limelight is directly due to the Group's capacity to strategically invest in a number of leading technology companies that possess expertise in data security and transmission. Among the biometric technology companies that the Group has made investments in over the years include DDS Inc., Validity Sensors Inc., Fingerprint Cards AB, IDEX ASA and Synaptics Inc. Investments have also been made in companies engaging in the business of high-speed wireless data transmission and charging technology, including PowerMat Technologies Ltd., Advanced Radio Device Technologies, Inc., Tekmar, Inc. and WaveConnex, Inc. All of the said investments have allowed the Group to quickly gain relevant technologies that would have otherwise required substantial time and resources in research and development.

By cooperating with the aforementioned companies, we have been able to quickly developed a number of patented technologies. Most recently, the Group was granted patent certificates by the State Intellectual Property Office ("SIPO") of the People's Republic of China with respect to an identity authentication device and instant messaging system. We further received two patent certificates from SIPO for our media communication system and communication messaging system.

Looking ahead, fingerprint security and text and voice encryption will be trends to watch for as part of the next wave of smartphone technologies. While many users are aware of inadequacies among mobile devices in terms of access and data security, such weaknesses have not been well addressed by device manufacturers. The increasing reliance on smartphones and tablet devices for mobile payment and corporate communication, which involves the exchange of confidential information, has revealed cracks in security. We will therefore continue to direct efforts towards bolstering the Group's leadership position in the biometric fingerprint technology industry in order to help fill such cracks. True to this objective, we will make further investments in technology companies that hold expertise in fingerprint authentication and data encryption of mobile devices, as well as establish cooperative ties with leading industry players. In respect of self-developed products, we will seek to incorporate more value-added features and look at broadening their applications by working with different institutions. Among the key goals will include the provision of efficient security solutions for online payment and banking operations.

At this time, I would like to extend my appreciation to my fellow board members, management team and all staff members for their diligence, determination and contributions over the past year. I wish to also express my gratitude to the Group's business partners and shareholders for their unequivocal support. Through concerted effort and cooperation with stakeholders, the Group will continue to forge ahead, achieving sustainable growth and delivering products and solutions that benefit people from all walks of life.

Wong Kwok Fong
Chairman

Hong Kong, 14 March 2014

A Clear Vision,
A Strong Focus ...
Our Mission is
what you Dream of ...

Overview

During the latest financial year, the management implemented a number of transformative measures in view of the sluggish performance of the electronic manufacturing services (the "EMS") market. Their foresight has enabled the Group to become more technology oriented, with a particular focus on biometric security technology, a segment that has grown increasingly relevant with consumers and the public in general.

As at the year ended 31 December 2013, Automation products accounted for 36.0% (2012: 30.7%) of the Group's total revenues, with Life Energy products accounted for 4.9% (2012: 7.8%); Life Security products accounted for 12.4% (2012: 14.7%); Life Touch products accounted for 35.3% (2012: 31.2%); and Other Segments accounted for 11.4% (2012: 15.6%).

Business Overview

Automation

Gallant Tech Limited ("Gallant Tech") has continued to contribute a stable revenue to the Group since its acquisition in January 2012. During the review year, Gallant Tech recorded a revenue of HK$373.2 million, accounting for 36.0% of the Group's total revenue.

Gallant Tech has continued to record a stable growth; benefitting from a strong demand from the mobile manufacturing sector for its testing equipment, as well as appreciation for its excellent after-sales services. With a growing awareness among manufacturers in China of the financial benefits derived from automation technologies, the management is confident that this business will continue to contribute a stable revenue to the Group over the long term.

Life Energy

The Life Energy product segment principally consists of wireless charging devices and plasma lighting source products.

Revenue from wireless charging devices declined by 45.9% to HK$49.1 million, while plasma lighting source products recorded HK$2.0 million in revenue, representing a 18.1% decrease when compared with the corresponding period of last year.

To capitalise on the significant growth expected from the mobile device wireless charging market, which will be driven by consumers' insatiable demand for smart devices, the Group made two strategic investments in PowerMat Technologies Ltd. ("PowerMat") in 2011 and 2012. Even though the wireless charging market is presently in a nascent stage, the management remains fully confident in the investment's ability to deliver favorable returns as the technology gains wider acceptance not only in the United States but across the Asia Pacific.

PowerMat is a pioneer and leader in the burgeoning wireless charging industry. Indicative of the confidence that its technologies inspire, PowerMat has a portfolio of world renowned and diversified clients, including General Motors, Procter & Gamble, Starbucks and AT&A. Moreover, Power Matters Alliance (PMA) — the world's fastest growing wireless power standard and ecosystem — has incorporated PowerMat technology in its own open standard.

The management maintains the belief that as wireless charging devices further develop and advance, revenue contributions from such devices will become more stable and healthy. Accordingly, the Group trusts that as its strategic investment in PowerMat continues to strengthen, resulting in a wider presence in the wireless charging market.

As for the plasma lighting source products, the Group will continue to remain cautious to identify potential projects that would secure profitability as well as providing a strong cash flow.

Life Security

The Life Security product segment principally consists of biometric fingerprint modules that are used in PC notebooks of world renowned brands, and fingerprint biometric devices. During the review year, revenue from the Life Security segment slipped by 27.2% to HK$128.1 million.

In view of the sluggish demand for notebook computers, the Group has continued to leverage its expertise in biometric security technology — an area that it has been involved in since 2009 — to help safeguard data transmissions among smart devices. Given that the need for secure internet communication capabilities will only increase, fingerprint biometric technology will quickly become a widely-adopted feature among the said devices for identity verification and protection.

Holding true to its belief in the growing need for secure internet communications, the management officially launched FingerQ, the world's first biometric fingerprint privacy protection platform; and PrivacQ, a biometric communication device, during 2013 — the former featuring a number of patented technologies developed by the Group. Both FingerQ and PrivacQ have successfully tapped into the Hong Kong, Taiwan and Singapore markets.

PrivacQ Q-Case S was named 2014 International CES Innovations Design and Engineering Awards Honoree during the 2014 Consumer Electronics Show in Las Vegas. PrivacQ products have also been showcased at Mobile World Congress 2013 in Barcelona, demonstrating FingerQ's growing global presence. Separately, the Group has been granted two patent certificates from the State Intellectual Property Office ("SIPO") of the People's Republic of China for its biometric applications, comprising encryption and decryption technology for point-to-point and point-to-group information sharing. The biometric applications are of relevance to internet messaging, chat, e-commerce and enterprise applications, as well as the ability to take advantage of the Group's security platform.

Life Touch

The Group's capacitive touch products performed steadily in 2013. The segment recorded a total revenue of HK$365.8 million by the year end of 2013, which is at a similar level with the preceding financial year.

Other Segments

The Group's other segments mainly consist of communication and automobile-related products. Sales from communication- and automobile-related products recorded a drop of 76.2% to HK$14.2 million and 23.5% to HK$72.6 million respectively.

Technology Investment

In order to expedite its transformation into a technology company without investing substantial time and resources in research and development, the Group has been forging cooperative ties with a number of technology companies that are mainly involved in biometric security, wireless data transmission and communication.

Biometric Security Technology

In anticipation of the growth of biometric security technologies in the coming years, and to support its product roadmap for FingerQ and PrivacQ, since 2012, the Group has invested in a number of companies that specialise in the biometric security technological area, including the following:

Fingerprint Cards AB

Fingerprint Cards AB ("FPC") is a Swedish public company that is listed on NASDAQ OMX Stockholm. As at 31 December 2013, the Group held 886,978 FPC shares, at a value of approximately HK$57.4 million.

FPC develops and produces biometric components and technologies that, through the analysis and matching of an individual's unique fingerprint, can verify the person's identity. The technology consists of biometric sensors, processors, algorithms and modules that can be used separately or in combination with each other. Given that the Group and FPC are both involved in the development and sale of fingerprint biometric systems, the management believes that its investment will encourage a long-term strategic partnership with FPC.

IDEX ASA

IDEX ASA ("IDEX") is a Norwegian public company that is listed on the Oslo Axess market of the Oslo Børs (Oslo Stock Exchange). As at 31 December 2013, the Group held 14,656,505 IDEX ASA shares at a value of approximately HK$113.7 million.

IDEX specialises in fingerprint imaging and recognition technology. IDEX's vision is to ensure individuals have safe, secure, and user-friendly uses of their personal ID. IDEX developed an award-winning SmartFinger® technology platform based on the company's core intellectual property, including the patented fingerprint imaging principle, sensing scheme and chip design.

Synaptics Incorporated

Synaptics Incorporated ("Synaptics") is a US public company that is listed on the NASDAQ. As at 31 December 2013 the Group held 222,602 shares, at a value of approximately HK$89.5 million.

Synaptics is a leading developer of human interface solutions that enhance a user's experience in the expanding digital lifestyle. The company is able to combine technology, expertise and innovation to create comprehensive and customized solutions (from prototyping, module design to manufacturing and testing).

On 7 November 2013, Synaptics acquired Validity Sensors, Inc ("Validity"), a US company, providing fingerprint sensor solutions with the highest levels of performance, security, cost-effectiveness and design flexibility.

Wireless Data Transmission Technology
The increased use of smartphones and tablets not only creates a high demand for data security technology, it also creates massive data traffic and therefore requires the support of ultra high-speed wireless data transmission.

WaveConnex
WaveConnex, Inc. is a US private company that principally develops wireless technology for data transfer. The Group believes that the investments made will strengthen its foothold in the wireless technology for data transfer market.

Communication Technology
With the expectation of the strong demand for high-speed wireless data transmission infrastructure, the Group invested into two companies in 2012, that are engaging in wireless telecommunication systems and components.

Advanced Radio Device Technologies, Inc.
Advanced Radio Device Technologies, Inc. ("ARDT") is mainly involved in the research and development, sale and marketing of semiconductors for communication and related equipments. The Group acquired a 43% stake in ARDT in July 2012.

During the review period, ARDT commenced operation, though it has yet to deliver profits to the Group. The management believes that ARDT's technological input and streamlined operations will be of benefit to the Group; specifically, for helping to enhance its presence in the Radio Frequency ("RF") communications products market.

Tekmar, Inc.
The Group also set to help further its presence in the RF market is the Group's investment in Tekmar, Inc. ("Tekmar"), which it acquired a 39.4% stake in September 2012. Tekmar, which specializes in the development, manufacturing and sale of carrier-grade wireless telecommunication systems and components, including RF filters for the 4G LTE FDD and TDD infrastructures, was in a start-up stage during the review period.

Financial Review

Revenue
The revenue for the year ended 31 December 2013 amounted to HK$1,036.6 million (2012: HK$1,200.4 million), analysed by the following segments:

	2013		2012		
	HK$ million		HK$ million		% change
Automation	**373.2**	**36.0%**	368.9	30.7%	+1.2%
Life energy	**51.1**	**4.9%**	93.3	7.8%	-45.2%
Life security	**128.1**	**12.4%**	175.9	14.7%	-27.2%
Life touch	**365.8**	**35.3%**	374.3	31.2%	-2.3%
Other segments	**118.4**	**11.4%**	188.0	15.6%	-37.0%
	1,036.6	**100.0%**	1,200.4	100.0%	-13.6%

During the year under review, the Group's revenue dropped by 13.6% to HK$1,036.6 million as compared with last year. Such decline was mainly attributable to the drop in revenue in all segments except for automation segment which remained stable.

Gross Profit and Margin

As a result of the change in product mix, provision of impairment loss on intangible assets and provision for slow moving and obsolete inventory, the gross profit for the year ended 31 December 2013 amounted to HK$31.8 million, a decrease of HK$94.0 million as compared with the corresponding period in 2012. For the same reason, the gross profit margin for the year ended 31 December 2013 has decreased from 10.5% to 3.1% as compared with the corresponding period in 2012.

Other Gain

The other gain increased by HK$315.2 million as compared with the corresponding period in 2012 mainly due to gain from the disposals of certain investments.

Other Income — Net

The other income — net decreased by HK$8.2 million as compared with the corresponding period in 2012 mainly due to the tax indemnification of HK$7.8 million to the Company, by Mr. Wong Kwong Fong and Ms. Ching Pui Yi, the controlling shareholders of the Company.

Distribution Costs

Distribution costs for the period amounted to HK$31.4 million, accounting for 3.0% of the total revenue. This represented an increase of 55.5% when compared to the corresponding period in 2012. The increase was mainly caused by the promotional activities for FingerQ and PrivacQ.

Administrative Expenses

During the period under review, administrative expenses increased to HK$172.8 million from HK$164.2 million, mainly due to the bad debt written-off, share option expenses and staff bonus incurred during 2013 and offset by decrease in legal and professional fees.

Finance (Costs)/Income — net

Net finance cost was HK$2.2 million, as compared to net finance income of HK$0.02 million during the corresponding period in 2012. The change was primarily resulted from less interest income from deposits.

Income Tax Expense

Income tax expense increased by 53.1% to HK$5.5 million as compared to an income tax expense of HK$3.6 million during the corresponding period in 2012. The change was mainly due to the fact that for the year of 2013, Heshan World Fair Electronics Technology Limited, a wholly owned subsidiary of the Company, is subjected to the statutory income tax rate of 25% (2012: 12.5%).

Profit for the Year

Profit for the year was HK$128.7 million, as compared to a loss of HK$54.6 million during the corresponding period in 2012.

Financial Resources Review

Liquidity, Financial Resources and Debt Structure

Adhering to a conservative financial management system, the Group continued to maintain a healthy and solid liquidity position. As of 31 December 2013, the Group's cash and cash equivalents totalled HK$325.9 million (2012: HK$365.3 million). Working capital represented by net current assets amounted to HK$214.3 million (2012: HK$183.4 million). The Group's current ratio was 1.4 (2012: 1.3).

Bank borrowings included trust receipt loans amounting to HK$64.0 million (2012: HK$120.6 million) and bank loans amounting to HK$240.6 million (2012: HK$233.1 million) and were secured by corporate guarantees provided by the Company and certain of its subsidiaries. As of 31 December 2013 and 2012, the Group was in a net cash position, representing the bank balances and cash exceeded total debts at the end of each reporting period.

Capital Commitments

As of 31 December 2013, the Group had contracted but not provided for capital commitments of HK$2.2 million (2012: HK$3.0 million), and did not have any authorised but not contracted for capital commitments (2012: Nil).

Subsequent Events

On 13 March 2014, the Group disposed of certain shares representing 0.71% of the equity interest of Synaptics Inc ("Synaptics"), which is a company incorporated in the USA and is listed on NASDAQ, with the gain of approximately HK$20.9 million.

Currency Exposure and Management

During the year, the Group's receipts were mainly denominated in US dollars and Hong Kong dollars. The Group's payments were mainly made in US dollars, Hong Kong dollars and Renminbi.

In respect of the Renminbi, as the Group's production plant is located in China, most of the labor costs and manufacturing overheads are denominated in Renminbi. Therefore, the appreciation of Renminbi adversely has affected the Group's profitability. The Group will closely monitor the development of Renminbi and, if necessary, consider entering into foreign exchange forward contracts with reputable financial institutions to reduce potential exposure to currency fluctuations.

Future plans for capital investments and expected source of funding

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and, to a certain extent, by bank loans. The Group has sufficient funding resources and unutilised banking facilities to meet future capital expenditure and working capital requirements. As of 31 December 2013, the Group had total capital commitments of HK$2.2 million mainly for the purchase of machineries.

Employees

As of 31 December 2013, the Group had approximately 1,500 (2012: 2,400) full-time employees mainly in Hong Kong and China. The Group recognises the importance of human resources to its success. Qualified and experienced personnel are recruited with remuneration maintained at competitive levels.

Use of Proceeds from Initial Public Offering

The Company was listed on the main board of the Stock Exchange on 15 December 2010 and the proceeds raised by the placing and public offering, net of listing expenses, were approximately HK$642.0 million. During the period from the listing date to 31 December 2013, the net proceeds were utilised as follows:

		HK$' million
1	Purchase of equipment for the production of capacitive touch screen products and upgrading production capacity	166.0
2	Research and development costs on company products	56.7
3	Acquisitions of new technology or cooperation	67.2
4	Acquisitions for vertical integration	57.8
5	Construction of additional production plants	57.8
6	General working capital purpose	64.2
Total net proceeds utilised		469.7

The balance of the net proceeds was deposited with the banks in the People's Republic of China and Hong Kong and will be used for the intended uses as set out in the prospectus of the Company dated 2 December 2010.

Business Outlook

Despite a sluggish global economic environment, the demand for smart devices has continued to grow unabated. This trend sets to continue, and is a development that the Group will seek to fully leverage. In particular, the proliferation of smart technologies has led to a sharp rise in data generation, and the corresponding need for data protection. Having shifted its focus to biometric technologies in 2009 as part of its transformation from being a labor-intensive manufacturing-focused entity to a premium, innovative technologies company, the Group is now in an ideal position to capitalize on the increasing demand for data security solutions.

Leading the Group's change into the data protection market will be its suite of privacy and information security products and solutions, which include FingerQ, the world's first biometric fingerprint privacy protection mobile platform, and PrivacQ biometric communication device. Given that mobile smart web-connected devices have no firewall safeguard, FingerQ represents an important development as it employs a comprehensive user identification encryption system, thus providing users with personal data and privacy protection. What is more, FingerQ's Q-Manager enables mobile applications to be locked using biometrics technology, while a value-added Q-Share feature enables users to encrypt messages, pictures or files and share them over different social networking platforms. Both FingerQ and PrivacQ have gained a positive exposure at several renowned technology exhibitions around the world, and the Group will continue to promote these innovative solutions at major events in the future. It will also apply for more patents with the State Intellectual Property Office ("SIPO") of the People's Republic of China so as to protect the status and intrinsic value of FingerQ and PrivacQ.

Having already made a positive impact on the data security solutions market with product introductions in Hong Kong, Taiwan and Singapore, the Group is determined to strengthen its foothold in Asia — eventually branching out to the rest of the world — by developing still more products that bring greater security and convenience to people's lives. Areas that the Group will explore include online payment and banking operations, as fingerprint biometric recognition technology would perfectly complement such applications. Correspondingly, the Group will direct energy and resources towards securing more patents and establishing strategic partnerships to bolster its technological edge, which also deliver the benefits of an increase brand recognition and a higher patent profile.

With respect to the automation business, Gallant Tech has been a welcomed addition to the Group, and the implementation of a sales network expansion plan has further raised its value. Gallant Tech continues to maintain good relations with its suppliers in the United States, Japan, Korea and Singapore by providing quality post-purchase services, and through the development of an extensive global network. In Greater China, the company now has registered offices in Hong Kong, Shenzhen, Shanghai, Beijing and Tianjin; sales and services support staff stationed in Suzhou, Wuhan, Chengdu and Xiamen; and it will continue its expansion drive in the western region of the country. This enlarged network will enhance the performance of Gallant Tech, leading to a stable revenue from the automation business, which the Group can utilize to seize new business opportunities.

Looking ahead, the Group will continue to capitalize on the increasing demand for data security solutions by consolidating its leadership position in the biometric fingerprint technologies segment, making further investments in technology companies that hold expertise in fingerprint authentication and data encryption of mobile devices, and by establishing cooperative ties with leading industry players. In respect of its portfolio of self-developed products, the Group will seek to integrate new features, as well as to work with different institution in order to widen their applications. The management remains confident in the long-term performance of the Group, and its ability to continue delivering favorable returns to its shareholders.

Directors And Senior Management

Executive Directors

Mr. Wong Kwok Fong (王國芳), aged 50, is the Group's co-founder, Chairman, Chief Executive Officer and was appointed as the Company's Executive Director on 17 July 2009. He is also the Chairman of the Nomination Committee and Strategic Intellectual Property and Technology Committee of the Company, and a member of the Remuneration Committee. Mr. Wong established the Group's business in 1997. He is the spouse of Ms. Ching Pui Yi, the Group's Chief Operating Officer and Executive Director of the Company. Since the establishment of the Group's business in 1997, Mr. Wong has played a significant part in the substantial growth of business of the Group. Mr. Wong has over 15 years of senior management experience in manufacturing, supply chain and marketing functions in electronics and technology industries from the Group. He was responsible for setting up the Group's manufacturing plants in Hong Kong and China. Mr. Wong has established the Group's extensive network in the electronics and technology industry, and has also participated in the research of and being the owner of over 180 patents.

Mr. Wong is currently the legal representative of Heshan World Fair Electronics Technology Ltd. He is primarily responsible for the overall corporate strategies, planning, management and business development of the Group. Mr. Wong is a standing committee member of the 9th Session of the Chinese People's Political Consultative Conference, Heshan. He is also an Honorary Citizen of Jiangmen City. Mr. Wong obtained a higher certificate in Accountancy from the Hong Kong Polytechnic (香港理工學院), currently known as the Hong Kong Polytechnic University (香港理工大學), in October 1992. He has not held any directorships in other listed companies in the last three years.

Ms. Ching Pui Yi (程佩儀), aged 44, is the Group's co-founder, Chief Operating Officer and was appointed as the Company's Executive Director on 17 July 2009. She is the spouse of Mr. Wong Kwok Fong, the Chairman, Chief Executive Officer and Executive Director of the Company. Ms. Ching is primarily responsible for the Group's overall strategic implementation, business development, daily operations and management and she has been dedicated to the development, design, operation and improvement of the Group's systems of production. She has gained substantial experience in the Group's industry through the development of the Group's business. Ms. Ching has over 19 years of experience in the electronics sector. Ms. Ching obtained a higher certificate in Company Secretaryship and Administration from the Hong Kong Polytechnic (香港理工學院), currently known as the Hong Kong Polytechnic University (香港理工大學), in 1994. She has not held any directorships in other listed companies in the last three years.

Mr. Tan Hui Kiat (陳輝傑), aged 52, is the Group's Corporate Affairs Officer and was appointed as the Company's Executive Director on 28 November 2009. He joined the Group in September 2005. Mr. Tan is responsible for the Group's corporate communications and interface with customers. Prior to this, Mr. Tan was the Senior Operations Director in charge of the Group's program management as well as the materials division, including procurement, purchasing, PMC, logistics and warehousing in the Group's production facilities in Heshan City, China. Mr. Tan has over 21 years of experience in operations in the electronics sector. Mr. Tan obtained a technician diploma in Electronics and Communication Engineering from the Singapore Polytechnic (新加坡理工學院) in 1981. He later obtained a certificate and an advance diploma in Industrial Management from the same polytechnic in 1986 and 1989, respectively. He has not held any directorships in other listed public companies in the last three years.

Independent Non-Executive Directors

Mr. Wong Chun Bong (王振邦), aged 55, was appointed as an Independent Non-Executive Director of the Company on 28 November 2009. Mr. Wong has held a range of positions relating to the provision of assurance, taxation, accounting and financial management services, which the Company believes will enhance in the overall financial control and management of the Group. Mr. Wong holds a higher diploma in Accountancy from the Hong Kong Polytechnic (香港理工學院), currently known as the Hong Kong Polytechnic University (香港理工大學). Mr. Wong is currently the managing partner of a firm of certified public accountants in Hong Kong. He is the ex-chairman of the Executive Committee of the Association of Chartered Certified Accountants in Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong, respectively. Mr. Wong is also an associate of the Institute of Chartered Accountants in England and Wales. Mr. Wong was an independent non-executive director of QLP International Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 0243) between 14 April 2000 to 23 September 2013.

Professor Lee Kwok On, Matthew (李國安), aged 53, PhD, was appointed as an Independent Non-Executive Director of the Company on 28 November 2009. He is the chair professor of Information Systems & E-Commerce and Director of Communications & Public Relations at the City University of Hong Kong. Professor Lee is currently a member of the Hong Kong Research Grant Council (RGC) Business Studies Panel. He is an independent non-executive director of Computer and Technologies Holdings Limited (科聯系統集團有限公司), a company listed on the main board of the Stock Exchange (stock code: 0046). Professor Lee holds a first-class honours bachelor's degree in electronic engineering and a MBA degree in business studies from the University of Sheffield, a MSc degree in computation from the University of Oxford, a PhD degree in computer science from the University of Manchester, a LLB degree and a LLM degree in commercial & corporate law from the University of London. He has been a chartered engineer of the UK Engineering Council since October 1995 through his membership as a professional member of the British Computer Society since May 1995. Professor Lee was also admitted as a barrister in Hong Kong.

Mr. Chan Wai (陳偉), aged 44, was appointed as an Independent Non-Executive Director of the Company on 28 November 2009. Mr. Chan has over 19 years of experience in professional accounting, including over nine years of experience in financial control with companies listed on the main board and the Growth Enterprise Market of the Stock Exchange, which the Company believes will enhance the overall financial control and management of the Group. Mr. Chan obtained a master's degree in Professional Accounting from the Hong Kong Polytechnic University (香港理工大學) in 2004. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since April 1997 and a fellow of the Association of Chartered Certified Accountants since December 2002. Mr. Chan has also been an associate member of the Institute of Chartered Accountants in England and Wales since March 2007.

Save as disclosed above, the Independent Non-Executive Directors have not held any directorships in other listed companies in the last three years.

Senior Management

Ms. Kwok Ling Yee, Pearl Elizabeth (郭凌而), aged 45, is the Group's Chief Financial Officer and Company Secretary. She joined the Group in November 2010. Ms. Kwok is responsible for financial management and implementation of corporate governance practices of the Group. Ms. Kwok has over 22 years of experience in accounting and auditing. She is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. Ms. Kwok graduated with a bachelor's degree of Business from Queensland University of Technology, Australia.

Mr. Tseng Yin Hoong, Allen (曾元宏), aged 51, is the Group's Chief Marketing Officer. He joined the Group in June 2009. Mr. Tseng is responsible for overseeing the technology partnership, sales and marketing of Group's own branded products, FingerQ and PrivacQ. Mr. Tseng has extensive experience in sales and marketing for IT products and solutions. Mr. Tseng obtained a bachelor's degree of Science from the State University of New York at Buffalo, the United States.

Mr. Choong Wai Meng, aged 54, is the Group's Chief Strategy Officer. He joined the Group in November 2012. Mr. Choong is responsible for the business and investment strategy of the Group, particularly in forging alliance with current and potential business associates. Mr. Choong has over 20 years experience in helping Silicon Valley startup companies setup manufacturing operations in Asia. He holds a Bachelor degree in Mechanical Engineering from Swansea University, Wales and a Master degree in Engineering from Asian Institute of Technology, Thailand.

Dr. Jin-Lung Chirn (覃俊龍), aged 49, is the Chief Technology Officer of the Group. He joined the Group in October 2013. Dr. Chirn is responsible for the research and development of the Group's own branded products, FingerQ and PrivacQ. He has over 10 years experience in automation control and computer integrated manufacturing system in his earlier career. He later worked in the area of mobile software technology and knows the ecosystem very well. Dr. Chirn has a wide range of hands-on experience in electrical, firmware, software and product design as well as process management Dr. Chirn completed his bachelor degree in mechanical engineering from National Taiwan University, Taiwan and obtained his master degree in power mechanical engineering from National Tsing-Hua University, Taiwan. He was granted Taiwan Government scholarship for oversea study in system engineering and received a PhD degree from Cambridge University, UK in 2003.

Mr. Kam Yun Kwong (甘潤光), age 49, is the founder of Gallant Tech Limited which was established in 2006. Mr. Kam joined the Group in January 2012. Mr. Kam is currently head of Gallant Tech Limited and is responsible for driving the business of the Group's Automation platform. Mr. Kam has over 20 years experience in equipment distribution business and has developed very strong business network in China with sound knowledge in SMT lines and engineering process. He was the General Manager in American Tec Co Ltd. (which is a subsidiary of North Asia Strategic Holdings Ltd. listed in Hong Kong GEM board, stock code: 8080) before the set up of his own business.

Mr. Kam is a member of SMT Consultants Committee in Chinese Institute of Electronics (中國電子學會諮詢工作委員會SMT諮詢專家委員會委員). Mr. Kam obtained a Higher Certificate in Electronic Engineer from the Hong Kong Polytechnic (香港理工學院), currently known as the Hong Kong Polytechnic University (香港理工大學). He was granted an IMBA degree from Victoria University of Wellington, New Zealand.

Report of the Directors

The Board is pleased to present this annual report together with the audited consolidated financial statements of World Wide Touch Technology (Holdings) Limited and its subsidiaries for the year ended 31 December 2013.

Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in Note 9 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 47 to 118.

An interim dividend of HK0.4 cents per ordinary share was paid on 15 October 2013. The Board recommends the payment of a final dividend of HK0.4 cents per ordinary share in respect of the year to shareholders on the register of members on Thursday, 15 May 2014. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 9 May 2014, the said final dividend will be paid in cash on or around Tuesday, 3 June 2014. Details of dividends for the year ended 31 December 2013 are set out in Note 31 to the consolidated financial statements.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 7 May 2014 to Friday, 9 May 2014 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of the following address for registration not later than 4:30 p.m. on Monday, 5 May 2014.

In order to be entitled to the final dividend for the year ended 31 December 2013, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong. Tricor Investor Services Limited of the following address for registration no later than 4:30 p.m. on Thursday, 15 May 2014.

Before 31 March 2014:	26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong
From 31 March 2014 onwards:	Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the consolidated financial statement, and restated as appropriate, is set out on the inside front cover. This summary does not form part of the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 6 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital for the year ended 31 December 2013 are set out in Note 17 to the consolidated financial statements.

Donations

During the year ended 31 December 2013, the Group made external donations of approximately HK$133,000 (2012: HK$110,000).

Pre-Emptive Rights

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

Purchase, Sale or Redemption of Listed Securities of the Company

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 18 to the consolidated financial statements and in the consolidated statement of changes in equity.

Distributable Reserves

At 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) ("Companies Law") of the Cayman Islands, amounted to approximately HK$607.8 million (2012: HK$602.7 million), of which HK$11.7 million dividend (2012: Nil) has been proposed for the year. Under the Companies Law, the share premium account of the Company of approximately HK565.5 million as of 31 December 2013 (2012: HK$565.5 million) is distributable to the shareholders of the Company provided that immediately following the date on which the dividend, if any, is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

During the year 55.0% (2012: 57.7%) of the Group's revenue and 53.2% (2012: 49.9%) of the Group's purchases, were attributable to the Group's five largest customers and five largest suppliers, respectively; and 36.0% (2012: 31.7%) of the Group's revenue and 20.2% (2012: 13.5%) of the Group's purchases were attributable to the Group's largest customer and supplier, respectively.

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

Directors

The Directors of the Company during the year were:

Executive Directors

Mr. Wong Kwok Fong
Ms. Ching Pui Yi
Mr. Tan Hui Kiat

Independent Non-Executive Directors

Mr. Wong Chun Bong
Professor Lee Kwok On, Matthew
Mr. Chan Wai

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

Directors' and Senior Management's Biographies

The biographical details of the Directors and the senior management of the Company are set out on pages 22 to 24 of the annual report and can be found on the Company's website.

Directors' Service Contracts

Mr. Wong Kwok Fong, Ms. Ching Pui Yi and Mr. Tan Hui Kiat have entered into service contracts with the Company for a term of 3 years which commenced on 15 December 2010 and expired on 14 December 2013. We have entered into new service contracts with Mr. Wong Kwok Fong, Ms. Ching Pui Yi and Mr. Tan Hui Kiat for a term of 3 years with effect from 15 December 2013.

Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew and Mr. Chan Wai have entered into appointment letters with the Company for a term of 3 years which commenced on 28 November 2009. The term of appointment of each of the Independent Non-Executive Directors has been extended for a period of 3 years with effect from 28 November 2012.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Remuneration of the Directors and the Five Highest Paid Individuals

Details of the remuneration of the Directors and the five highest paid individuals are set out in Note 27 to the consolidated financial statements.

The remuneration of the Directors is determined with reference to the Directors' duties, responsibilities and performance and the Group's results.

Directors' Interests in Contracts

None of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year.

Management Contracts

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

Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares

As of 31 December 2013, the interests and short positions of the Directors and chief executives of the Company or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Capacity and nature of interests	Number of Shares held	Approximate percentage of shareholding
Mr. Wong Kwok Fong	Settlor of The KW Trust *(Note)*	1,927,778,827	65.86%
	Beneficial owner	82,768,000	2.83%
	Interest of spouse	30,700,061	1.05%
Ms. Ching Pui Yi	Beneficiary of The KW Trust *(Note)*	1,927,778,827	65.86%
	Beneficial owner	30,700,061	1.05%
	Interest of spouse	82,768,000	2.83%
Mr. Tan Hui Kiat	Beneficial owner	8,836,017	0.30%

Note:

The entire issued share capital of Soar Plan Holdings Limited is held by Swan Hills Holdings Limited which is in turn ultimately held by the Credit Suisse Trust Limited as the trustee of The KW Trust. The KW Trust is a discretionary trust established by Mr. Wong Kwok Fong as settlor and the Credit Suisse Trust Limited as trustee on 1 December 2009. The beneficiaries of The KW Trust include family members of Mr. Wong Kwok Fong and Ms. Ching Pui Yi. Mr. Wong Kwok Fong and Ms. Ching Pui Yi are deemed to be interested in the 1,927,778,827 shares held by The KW Trust, Soar Plan Holdings Limited and Swan Hills Holdings Limited pursuant to Part XV of the SFO and their respective interests duplicate the interests held by The KW Trust, Soar Plan Holdings Limited and Swan Hills Holdings Limited.

Save as disclosed above, as of 31 December 2013, none of the Directors or chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Apart from the Scheme (as defined in the section headed "Share Option Scheme" below), at no time during the year ended 31 December 2013 was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save for the disclosed, none of the Directors or chief executives of the Company or their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right during the year ended 31 December 2013.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As of 31 December 2013, the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in the shares and underlying shares of the Company

Name of substantial shareholders	Capacity and nature of interest	Number of shares held	Approximate percentage of shareholding
Credit Suisse Trust Limited *(Note)*	Interest in a controlled corporation	1,927,778,827	65.86%
Swan Hills Holdings Limited *(Note)*	Interest in a controlled corporation	1,927,778,827	65.86%
Soar Plan Holdings Limited *(Note)*	Beneficial owner	1,927,778,827	65.86%

Note:

The entire issued share capital of Soar Plan Holdings Limited is held by Swan Hills Holdings Limited which is in turn ultimately held by the Credit Suisse Trust Limited as the trustee of The KW Trust. The KW Trust is a discretionary trust established by Mr. Wong Kwok Fong as settlor and the Credit Suisse Trust Limited as trustee on 1 December 2009. The beneficiaries of The KW Trust include family members of Mr. Wong Kwok Fong and Ms. Ching Pui Yi. Mr. Wong Kwok Fong and Ms. Ching Pui Yi are deemed to be interested in the 1,927,778,827 shares held by The KW Trust, Soar Plan Holdings Limited and Swan Hills Holdings Limited pursuant to Part XV of the SFO and their respective interests duplicate the interests held by The KW Trust, Soar Plan Holdings Limited and Swan Hills Holdings Limited.

Save as disclosed above, as of 31 December 2013, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under section 336 of the SFO.

Employee and Remuneration Policies

As of 31 December 2013, the Group employed approximately 1,500 (2012: 2,400) full-time staff principally in Hong Kong and China.

The Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonuses are awarded to staff based on the financial performance of the Group and performance of individual staff.

In addition, share options are granted to eligible employees in accordance with the terms of the Company's share option scheme (as detailed in the paragraph headed "Share Option Scheme" below).

Retirement Schemes

The Group participates in several defined contribution retirement plans which cover the Group's eligible employees in China, and a mandatory provident fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in Note 26 to the consolidated financial statements.

Share Option Scheme

The Company operates a share option scheme (the "Scheme"), which was adopted pursuant to a resolution in writing passed by the shareholders of the Company on 24 November 2010, for the purpose of providing incentive or reward to eligible participants for their contributions to, and continuing efforts to promote the interests of, the Company and to enable the Group to recruit and retain employees of high calibre. The Scheme became effective on 24 November 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Eligible participants of the Scheme include the following:

(i) Full-time or part-time employees; and

(ii) Full-time or part-time executive directors and independent non-executive directors of any member of the Group.

As of the date of this report, the total number of shares of the Company available for issue under the Scheme is 274,980,000, representing approximately 9.39% of the issued share capital of the Company as of the date of this report.

The total number of shares issued and which may fall to be issued upon exercise of the options granted and to be granted under the Scheme (including exercised, cancelled and outstanding options) to each eligible person, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting with such eligible persons and his associates abstaining from voting and other requirements prescribed under the Listing Rules from time to time.

Any grant of options to a Director, chief executive or to a substantial shareholder of the Company or any of their respective associates is required to be approved by the Independent Non-Executive Directors (excluding the Independent Non-Executive Director who is the grantee of the options). Where any grant of options to a substantial shareholder of an Independent Non-Executive Director or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

(i) representing in aggregate over 0.1% of the shares in issue on the date of the offer;

(ii) having an aggregate value in excess of HK$5 million, based on the closing price of the Company's shares at the date of such grant,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting on a poll at which all connected persons of the Company shall abstain from voting in favour at such meeting and other requirements prescribed under the Listing Rules from time to time.

The offer of a grant of share options may be accepted by the date specified in the offer letter, upon payment of a nominal consideration of HK$1 by the grantee.

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

Upon acceptance, the date of grant of any particular option is deemed to be the date of the Board resolution approving the grant in accordance with the Scheme. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination in accordance with the terms of the Scheme, the Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Scheme by the shareholders.

Details of the share options outstanding as at 31 December 2013 which have been granted under the scheme are as follows:

	Number of options (in thousands)						
	Held at 1 January 2013	Granted during the year	Expired during the year	Exercised during the year	Held at 31 December 2013	Exercise price per share HK$	Exercisable period
Executive directors							
Wong Kwok Fong	–	2,920	–	–	2,920	0.420	17 June 2013 to 16 June 2023
Ching Pui Yi	–	2,000	–	–	2,000	0.420	17 June 2013 to 16 June 2023
Tan Hui Kiat	–	800	–	–	800	0.420	17 June 2013 to 16 June 2023
Total for directors	–	5,720	–	–	5,720		
Employees	–	6,300	–	–	6,300	0.420	17 June 2013 to 16 June 2023
Total	–	12,020	–	–	12,020		

At 16 June 2013, the date before the options were granted, the market value per share was HK$0.395. The value of the options granted to the respective parties is as follows:

	HK$'000
Wong Kwok Fong	540
Ching Pui Yi	370
Tan Hui Kiat	148
Employees	1,166
	2,224

Continuing Connected Transaction

Heshan World Fair Electronics Technology Limited ("World Fair Heshan"), an indirect wholly-owned subsidiary of the Company, has entered into a transaction with Mr. Wong Kwok Fong ("Mr. Wong"), a connected person of the Company, which constitutes a continuing connected transaction of the Company under the Listing Rules.

World Fair Heshan as tenant and Mr. Wong as landlord has entered into a new residential premises lease agreement ("New Lease") on 19 November 2013, to renew the existing lease agreement (the "Lease") which expired on 15 December 2013. Pursuant to the New Lease, World Fair Heshan has agreed to lease from Mr. Wong 28 residential premises in Jiangmen, China (the "Premises"), as residences in Jiangmen for the senior management and other personnel. The term of the New Lease is three years effective on 15 December 2013. The annual rent is RMB1,200,000, exclusive of management fees, water and electricity charges, and is fixed throughout the term of the Lease. The Directors estimate that the annual rent payable by World Fair Heshan to Mr. Wong for each of the three years commencing on 15 December 2013 will not exceed the annual cap of RMB1,200,000. The New Lease is renewable at the option of World Fair Heshan by giving three months' notice to Mr. Wong prior to the expiry of the New Lease. In the event the Company renews the term of the New Lease, the Company shall comply with Chapter 14A of the Listing Rules, if applicable.

Details of the New Lease are set out in Note 35 to the consolidated financial statements.

The aggregate amount of rent payable by the Group to Mr. Wong in respect of the Lease for the year ended 31 December 2013 amounted to HK$1,200,000. The Independent Non-Executive Directors have confirmed that the continuing connected transaction was entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and (c) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" Issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the paragraph above in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Other than the aforementioned continuing connected transaction, the related party transactions disclosed in Note 35 to the consolidated financial statements are either exempted connected continuing transactions or non-exempt continuing connected transactions which are in compliance with the requirements under Chapter 14A of the Listing Rules.

Directors' Interests in a Competing Business

Each of the Group's Executive Directors and Independent Non-Executive Directors has confirmed that none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of the Group.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained a sufficient public float as required under the Listing Rules as of the date of this annual report.

Audit Committee and Review of Financial Statements

The Audit Committee was established on 28 November 2009 with written terms of reference set out in the CG Code. The principal duties of the audit committee includes the review of the Group's financial reporting matters and internal control procedures.

At present, the Audit Committee comprises three Independent Non-Executive Directors, being Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew and Mr. Chan Wai, of which Mr. Wong Chun Bong is the chairman.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the audited financial statements of the Group for the year ended 31 December 2013. The consolidated financial statements for the year ended 31 December 2013 have been audited by the Company's independent auditor, PricewaterhouseCoopers.

Events after the Reporting Period

Details of the significant events occurring after the end of the reporting period are set out in Note 38 to the consolidated financial statements.

Corporate Governance

Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" in this annual report.

Auditor

PricewaterhouseCoopers, the independent auditor of the Company, will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting. A resolution to re-appoint it as independent auditor of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Wong Kwok Fong
Chairman

Hong Kong, 14 March 2014

Corporate Governance Report

The Company is committed to achieving high standards of corporate governance. An internal corporate governance policy was adopted by the Board aiming at providing greater transparency, quality of disclosure as well as more effective risk and internal control. The execution and enforcement of the Company's corporate governance system is monitored by the Board with regular assessments. The Company believes that its commitment in high-standard practices will translate into long-term value and ultimately maximise returns to shareholders. The Company's management pledges to building long-term interests for shareholders via, for example, conducting business in a socially responsible and professional manner. The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

The Board procedures are in compliance with the articles of association (the "Articles") of the Company, as well as relevant rules and regulations. For the year ended 31 December 2013, there were no significant changes to the Articles.

Code on Corporate Governance Practices

The Company is maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well preserving the interests of the shareholders as a whole. The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A2.1. Mr. Wong Kwok Fong ("Mr. Wong") currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. He is one of the founders of the Group and has extensive experience in manufacturing, supply chain and marketing functions in electronics and technologies. The Board believes that by holding both roles, Mr. Wong will be able to provide the Group with strong and consistent leadership and more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group. Furthermore, the Company's present management structure comprises sufficient number of Independent Non-Executive Directors, and thus the Board believes that a balance of power and authority has been and will be maintained.

The Board

The Board provides leadership and guidance to the Group's activities, overseeing the Group's businesses, strategic decisions and financial performances. The Board has delegated its powers to the management for the Group's daily management and operations.

Meeting Attendance

The attendance of individual members of the Board at Board meetings, meetings of the Board Committees and general meetings during the year ended 31 December 2013, as well as the number of such meetings held, are set out as follows:

Meetings attended/held Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	Strategic Intellectual Property and Technology Committee	General Meetings
Executive Directors						
Mr. Wong Kwok Fong	12/13	–	1/1	3/3	1/1	1/1
Ms. Ching Pui Yi	12/13	–	–	–	–	1/1
Mr. Tan Hui Kiat	13/13	–	–	–	1/1	1/1
Independent Non-Executive Directors						
Mr. Wong Chun Bong	13/13	4/4	1/1	3/3	–	1/1
Professor Lee Kwok On, Matthew	11/13	1/4	–	–	1/1	
Mr. Chan Wai	13/13	4/4	1/1	3/3	–	1/1

Chairman and Chief Executive Officer

Mr. Wong Kwok Fong is the Chairman and the Chief Executive Officer of the Company. He is mainly responsible for the Group's overall strategies, planning, management and business development. The CG Code recommends that the role of the Chairman and that of the Chief Executive Officer should be separated and should not be performed by the same individual. The Company deviates from this provision of the CG Code with Mr. Wong Kwok Fong being the Chairman and the Chief Executive Officer of the Company concurrently. The Board considers this arrangement appropriate as it allows for efficient discharge of the executive functions of the Chief Executive Officer. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals including three Independent Non-Executive Directors offering independent advice from different perspectives. In addition, all major decisions are made after consultation with the Board and appropriate Board Committees, as well as senior management. The Board is therefore of the view that there are adequate balance and safeguards in place.

Board Committee

The Board has established an Audit Committee, a Remuneration Committee, a Nomination Committee and a Strategic Intellectual Property and Technology Committee with clearly defined written terms of reference. Each committee reports back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.

Audit Committee

The Company established an Audit Committee on 28 November 2009, with written terms of reference consistent with those set out in the CG Code.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting matters and internal control procedures. The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew and Mr. Chan Wai. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2013. During the year, the Audit Committee has duly discharged the above duties.

Nomination Committee

The Company established a Nomination Committee on 28 November 2009, with written terms of reference consistent with those set out in the CG Code. The terms of reference of the Nomination Committee were amended on 20 August 2013 to include the review of the diversity policy of the Board and its implementation from time to time.

The principal duties of the Nomination Committee include considering and recommending to the Board on the appointment of Executive Directors and senior management staff. The Nomination Committee comprises three members, namely Mr. Wong Kwok Fong, Mr. Wong Chun Bong and Mr. Chan Wai, of which Mr. Wong Kwok Fong is the chairman. During the year, the Nomination Committee has duly discharged the above duties.

Remuneration Committee

The Company established a Remuneration Committee on 28 November 2009, with written terms of reference consistent with those set out in the CG Code.

The principal duties of the Remuneration Committee include determining and reviewing the remuneration packages of all the Directors. The Remuneration Committee comprises three members, namely Mr. Chan Wai, Mr. Wong Kwok Fong and Mr. Wong Chun Bong, of which Mr. Chan Wai is the chairman. During the year, the Remuneration Committee has duly discharged the above duties.

Strategic Intellectual Property and Technology Committee

The Company established a Strategic Intellectual Property and Technology Committee on 28 November 2009. The principal duties of the Strategic Intellectual Property and Technology Committee include monitoring the applications and protection of all the intellectual property rights of the Group and considering and recommending to the Board on the Group's research and development. The Strategic Intellectual Property and Technology Committee comprises three members, namely Mr. Wong Kwok Fong, Mr. Tan Hui Kiat and Professor Lee Kwok On, Matthew, of which Mr. Wong Kwok Fong is the chairman. During the year, the Strategic Intellectual Property and Technology Committee has duly discharged the above duties.

Training and Support for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or alternative Director would receive an induction package covering the Group's businesses and the statutory regulatory obligations of a director of a listed company. The Group also provided briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management, where appropriate, to ensure awareness of best corporate governance practices.

A briefing session was organized for Directors on 20 December 2013 to update the Directors on the requirement of Chapter 14A of the Listing Rules in respect of the connected transactions. In addition, briefings on directors' duties will be given to the newly appointed Executive Directors.

During the year ended 31 December 2013, the Directors also participated in the following trainings:

Directors	Types of training
Executive Directors	
Mr. Wong Kwok Fong	A, B
Ms. Ching Pui Yi	A, B
Mr. Tan Hui Kiat	A, B
Independent Non-Executive Directors	
Mr. Wong Chun Bong	A, B
Professor Lee Kwok On, Matthew	A, B
Mr. Chan Wai	A, B

A: *attending seminars and/or conferences and/or forums*

B: *reading newspapers, journals and updates relating to the economy, general business, real estate or directors' duties and responsibilities, etc.*

Model Code for Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct of the group regarding securities transactions of the directors of the Company. All directors of the Company have confirmed that throughout the year ended 31 December 2013, they have complied with the provisions of the Model Code.

Term of Appointment of Independent Non-Executive Directors

Each of the Independent Non-Executive Directors has been appointed for an initial term of 3 years commencing from 28 November 2009. Their term of appointment has been renewed for a period of 3 years with effect from 28 November 2012. Upon the expiry of the aforesaid term of 3 years, the appointments shall be subject to the approval by the Board of the Company. The term of appointment shall be terminable by either the Independent Non-Executive Director or the Company by giving the other party not less than 3 months' prior notice in writing.

Directors' Remuneration

During the year ended 31 December 2013, the Remuneration Committee determined the remuneration packages of the Executive Directors of the Company.

During the year ended 31 December 2013, the Directors' remuneration is as follows:

	2013 HK$'000	2012 HK$'000
Fees	**1,866**	1,740
Other emoluments:		
Salaries, allowances and benefits in kind	**8,704**	3,631
Pension scheme contributions	**15**	14
	10,585	5,385

There was HK$4,000,000 bonus payable to the Executive Directors for the year ended 31 December 2013 (2012: Nil).

(a) Independent Non-Executive Directors

The fees paid to Independent Non-Executive Directors during the year ended 31 December 2013 were as follows:

	2013 HK$'000	2012 HK$'000
Mr. Wong Chun Bong	**288**	240
Professor Lee Kwok On, Matthew	**216**	180
Mr. Chan Wai	**252**	210
	756	630

(b) Executive Directors

The remunerations paid to Executive Directors during the year ended 31 December 2013 were as follows:

Year 2013	Fees HK$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Share-based compensation HK$'000	Pension Scheme HK$'000	Total Remuneration HK$'000
Mr. Wong Kwok Fong	480	2,384	–	540	–	3,404
Ms. Ching Pui Yi	480	720	3,600	370	15	5,185
Mr. Tan Hui Kiat	150	542	400	148	–	1,240

Year 2012	Fees HK$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Share-based compensation HK$'000	Pension Scheme HK$'000	Total Remuneration HK$'000
Mr. Wong Kwok Fong	480	2,370	–	–	–	2,850
Ms. Ching Pui Yi	480	720	–	–	14	1,214
Mr. Tan Hui Kiat	150	541	–	–	–	691

Internal Control

The Board has overall responsibility for establishing and maintaining an adequate and effective system of internal control of the Group to safeguard the shareholders' investments and the Group's assets.

The Group's internal control system includes a management structure with defined lines of responsibility and limits of authority. It aims to provide reasonable, but not absolute, assurance that assets are safeguarded against misappropriations, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The system is designed to identify, evaluate and manage effectively risks rather than to eliminate all risks of failure.

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system, including the financial, operational, compliance controls and risk management functions of the Group, the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function. No material deficiencies have been identified. The management will deal with the areas for improvement which come to the attention of the Board and the Audit Committee. The Board is committed to improving the Group's internal control system on a going-concern basis.

Accountability and Audit

The Directors are responsible for overseeing the preparation of financial statements of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the financial statements for the year ended 31 December 2013, the Directors have selected suitable accounting policies and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made judgement and estimates that were appropriate, and prepared the financial statements on a going-concern basis.

The Group has announced its annual results in a timely manner within the limits of three months after the end of the relevant period, as laid down in the Listing Rules.

Auditor's Remuneration

For the year ended 31 December 2013, approximately HK$2,851,000 was incurred as remuneration to PricewaterhouseCoopers for the provision of audit services and approximately HK$28,000 was paid to local C.P.A. audit firms for the provision of audit services of the subsidiaries of the Company incorporated in China. During the year, the following amounts were paid as remuneration to PricewaterhouseCoopers for the provision of the following non-audit related services to the Group.

	HK$'000
Taxation	761
Others	407
Total	1,168

Communication with Shareholders

The Group has established and maintains different communication channels with its shareholders. Annual reports and other corporate communication are published on the websites of the Company and the Stock Exchange. General meetings and investor meetings were held either face-to-face or via telephone conference. The Group reports to the shareholders twice a year and maintains a regular dialogue with investors.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any queries that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact Tricor Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend. The website of the Company has also set out details on how shareholders can convene an extraordinary meeting, and the procedures for shareholders to put forward proposals at shareholders' meeting.

The annual general meeting provides a useful forum for shareholders to exchange their views with the Board.

Directors' and Auditor's Acknowledgement

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2013.

The auditor of the Company acknowledges its reporting responsibilities in the auditor's report on the consolidated financial statements for the year ended 31 December 2013.

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

On behalf of the Board

Wong Kwok Fong
Chairman

Hong Kong, 14 March 2014

羅兵咸永道

TO THE SHAREHOLDERS OF WORLD WIDE TOUCH TECHNOLOGY (HOLDINGS) LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of World Wide Touch Technology (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 47 to 118, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 March 2014

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**572,382**	615,882
Land use right	7	**4,806**	4,922
Intangible assets	8	**74,069**	85,777
Investments in associates	10	**22,500**	30,465
Available-for-sale financial assets	11	**357,304**	94,759
Deferred income tax assets	21	**13,996**	11,869
Loan receivables	14	**–**	19,379
Prepayments and other receivables	14	**17,126**	38,628
		1,062,183	901,681
Current assets			
Inventories	12	**149,075**	174,698
Trade receivables	13	**209,599**	258,836
Prepayments, deposits and other receivables	14	**24,735**	36,161
Current income tax recoverable		**145**	1,183
Financial assets at fair value through profit or loss	15	**1,321**	1,276
Cash and cash equivalents	16	**325,892**	365,295
		710,767	837,449
Total assets		**1,772,950**	1,739,130

Consolidated Statement of Financial Position (continued)

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
EQUITY			
Owner's equity attributable to the Company's equity holders			
Share capital	17	**292,708**	292,708
Share premium	17	**565,489**	565,489
Other reserves and retained earnings	18	**345,523**	207,337
		1,203,720	1,065,534
LIABILITIES			
Non-current liabilities			
Bank borrowings	19	**62,500**	–
Other payables	23	**8,247**	16,949
Deferred income tax liabilities	21	**1,976**	2,630
		72,723	19,579
Current liabilities			
Trade and bills payables	22	**154,992**	180,207
Accruals and other payables	23	**87,465**	102,435
Bank borrowings	19	**242,149**	353,736
Finance lease obligations	20	**973**	8,693
Current income tax liabilities		**10,928**	8,946
		496,507	654,017
Total liabilities		**569,230**	673,596
Total equity and liabilities		**1,772,950**	1,739,130
Net current assets		**214,260**	183,432
Total assets less current liabilities		**1,276,443**	1,085,113

The consolidated financial statements were approved by the Board of Directors on 14 March 2014 and were signed on its behalf.

Wong Kwok Fong
Chairman

Tan Hui Kiat
Director

The notes on pages 53 to 118 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**250,000**	250,000
Current assets			
Other receivables	14	**1,745**	770
Amounts due from subsidiaries	9	**911,568**	595,371
Cash and cash equivalents	16	**139,003**	145,830
		1,052,316	741,971
Total assets		**1,302,316**	991,971
EQUITY			
Owner's equity attributable to the Company's equity holders			
Share capital	17	**292,708**	292,708
Share premium	17	**565,489**	565,489
Other reserves	18	**42,305**	37,221
		900,502	895,418
LIABILITIES			
Non-current liabilities			
Bank borrowings	19	**62,500**	–
Current liabilities			
Accrual and other payables	23	**10,197**	4,887
Amounts due to subsidiaries	9	**283,284**	–
Bank borrowings	19	**45,833**	91,666
		339,314	96,553
Total liabilities		**401,814**	96,553
Total equity and liabilities		**1,302,316**	991,971
Net current assets		**713,002**	645,418
Total assets less current liabilities		**963,002**	895,418

The financial statements were approved by the Board of Directors on 14 March 2014 and were signed on its behalf.

Wong Kwok Fong
Chairman

Tan Hui Kiat
Director

The notes on pages 53 to 118 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	5	**1,036,662**	1,200,435
Cost of sales	25	**(1,004,819)**	(1,074,600)
Gross profit		**31,843**	125,835
Other gain	24	**315,581**	350
Other income — net	24	**1,048**	9,289
Distribution costs	25	**(31,383)**	(20,178)
Administrative expenses	25	**(172,845)**	(164,235)
Operating profit/(loss)		**144,244**	(48,939)
Finance (costs)/income — net	28	**(2,157)**	22
Share of loss of associates	10	**(7,965)**	(2,127)
Profit/(loss) before income tax		**134,122**	(51,044)
Income tax expense	29	**(5,456)**	(3,564)
Profit/(loss) for the year		**128,666**	(54,608)
Profit/(loss) attributable to:			
Owners of the Company		**128,666**	(54,608)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Fair value gain on available-for-sale financial assets		**19,004**	10,074
Currency translation differences		**–**	22
Other comprehensive income for the year		**19,004**	10,096
Total comprehensive income/(loss) for the year attributable to equity holders of the Company		**147,670**	(44,512)
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company			
— basic (expressed in Hong Kong cents per share)	30	**4.40**	(1.87)
— diluted (expressed in Hong Kong cents per share)	30	**4.39**	N/A

The notes on pages 53 to 118 are an integral part of these consolidated financial statements.

Dividends	31	**23,416**	–

Consolidated Statements of Changes in Equity

For the year ended 31 December 2013

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Statutory reserve HK$'000	Available-for-sale financial assets HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
For the year ended 31 December 2012										
At 1 January 2012	292,708	565,489	(215,150)	12,411	–	30,524	–	–	430,387	1,116,369
Loss for the year	–	–	–	–	–	–	–	–	(54,608)	(54,608)
Other comprehensive income:										
Fair value gain on available-for-sale financial assets	–	–	–	–	–	–	10,074	–	–	10,074
Currency translation differences	–	–	–	–	–	–	–	22	–	22
Total other comprehensive income	–	–	–	–	–	–	10,074	22	–	10,096
Total comprehensive income/(loss)	–	–	–	–	–	–	10,074	22	(54,608)	(44,512)
Transfer to statutory reserve	–	–	–	–	–	1,939	–	–	(1,939)	–
Dividends	–	–	–	–	–	–	–	–	(6,323)	(6,323)
At 31 December 2012	292,708	565,489	(215,150)	12,411	–	32,463	10,074	22	367,517	1,065,534
For the year ended 31 December 2013										
At 1 January 2013	**292,708**	**565,489**	**(215,150)**	**12,411**	**–**	**32,463**	**10,074**	**22**	**367,517**	**1,065,534**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**128,666**	**128,666**
Other comprehensive income:										
Fair value gain on available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**–**	**19,004**	**–**	**–**	**19,004**
Total other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**19,004**	**–**	**–**	**19,004**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**19,004**	**–**	**128,666**	**147,670**
Share options – value of employee services	**–**	**–**	**–**	**–**	**2,224**	**–**	**–**	**–**	**–**	**2,224**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**1,082**	**–**	**–**	**(1,082)**	**–**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,708)**	**(11,708)**
At 31 December 2013	**292,708**	**565,489**	**(215,150)**	**12,411**	**2,224**	**33,545**	**29,078**	**22**	**483,393**	**1,203,720**

The notes on pages 53 to 118 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	32	**(34,504)**	38,532
Interest paid		**(7,805)**	(6,908)
Hong Kong profits tax paid		**(1,444)**	(17,711)
China enterprise income tax paid		**(3,980)**	(6,846)
Overseas tax paid		**–**	(26)
Net cash (used in)/generated from operating activities		**(47,733)**	7,041
Cash flows from investing activities			
Purchase of property, plant and equipment		**(21,847)**	(59,615)
Additions of intangible assets	8	**(20,215)**	(17,263)
Acquisition of a subsidiary		**(2,610)**	(13,777)
Acquisition of associates	10	**–**	(32,592)
Purchase of available-for-sale financial assets		**(271,749)**	(45,678)
Proceed received on disposal of property, plant and equipment and intangible assets	32	**139**	25
Proceed received on disposal of available-for-sale financial assets		**370,118**	–
Interest received		**6,883**	8,996
Dividend received		**–**	61
Prepayment for acquisition of property, plant and equipment and financial assets		**(3,459)**	(44,336)
Loan receivables		**19,400**	(19,400)
Net cash generated from/(used in) investing activities		**76,660**	(223,579)
Cash flows from financing activities			
New bank borrowings		**892,384**	1,125,501
Repayments of bank borrowings		**(942,372)**	(1,091,105)
Capital repayment of finance lease obligations		**(7,720)**	(8,753)
Dividends paid		**(11,708)**	(6,323)
Net cash (used in)/generated from financing activities		**(69,416)**	19,320
Net decrease in cash and cash equivalents		**(40,489)**	(197,218)
Cash and cash equivalents at beginning of the year		**365,295**	563,382
Exchange gains/(losses) on cash and cash equivalents		**1,086**	(869)
Cash and cash equivalents at end of the year		**325,892**	365,295

The notes on pages 53 to 118 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

World Wide Touch Technology (Holdings) Limited (the "Company") was incorporated in the Cayman Islands on 17 July 2009 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the manufacturing of a range of high-technology products, and the trading of and provision of services with respect to automation-related equipment.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 December 2010.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars, unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 14 March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, available-for-sale financial assets and contingent consideration payable in relation to acquisition of a subsidiary, which are carried at fair values.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.2 Changes in accounting policy and disclosures

(a) *Amended standards and interpretation adopted by the Group*

The following amendments to standards are mandatory for accounting periods beginning on or after 1 January 2013:

HKAS 1 (Amendment)	Presentation of financial statements
HASA 19 (Amendment)	Employee benefits
HKAS 27 (Revised 2011)	Separate financial statements
HKAs 28 (Revised 2011)	Associates and joint ventures
HKFRS 1 (Amendment)	First time adoption on government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosure on asset and liability offsetting
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurements
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine

Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment resulted in separate disclosures in the consolidated statement of comprehensive income for items that will potentially be reclassifiable to profit or loss subsequently. Other than this, it did not have any significant impact on the consolidated financial statements.

HKFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The new standard resulted in additional disclosures for the Group's investments in associates. Other than this, it did not have any significant impact on the consolidated financial statements.

HKFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS. The new standard resulted in additional disclosures for the Group's fair value estimation. Other than this, it did not have any significant impact on the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.2 *Changes in accounting policy and disclosures* *(continued)*

(b) New standards and amendments to standards have been issued but not effective for the financial year beginning on or after 1 January 2013 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 32 (Amendment)	Financial instruments: Presentation on asset and liability offsetting	1 January 2014
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets	1 January 2014
HKFRS 10, HKFRS 12 and HKAS 27 (Amendment)	Investment entities	1 January 2014
HK(IFRIC) – Int 21	Levies	1 January 2014
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015

The Group has not early adopted these new standards and amendments to the existing standards in the financial statements for the year ended 31 December 2013. The Group plans to apply the above standards and amendments when they become effective. The Group has already commenced an assessment of the related impact to the Group and it is not yet in a position to state whether any substantial changes to Group's significant accounting policies and presentation of the financial information will result.

2.2 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

(a)* *Consolidation *(continued)*

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note 2.8).

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Associates *(continued)*

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

2.4 Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

All other foreign exchange gains and losses are presented in the statement of comprehensive income within "other income — net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

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

— all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	2.5%
Leasehold improvements, furniture and fixtures and office equipment	10 to 50%
Machinery and factory equipment	10 to 50%
Computer equipment	20 to 50%
Motor vehicles	10 to 25%

Construction-in-progress represents buildings, plant and machinery on which construction work has not been completed and which, upon completion, management intend to hold for the use of the Group. They are carried at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any accumulated impairment losses. On completion, the amounts are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Land use right

The up-front prepayments made for land use right are accounted for as operating leases. They are expensed in the consolidated statement of comprehensive income on a straight-line basis over the periods of lease, or when there is impairment, the impairment is expensed in the consolidated statement of comprehensive income.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks and patents

Separately acquired trademarks and patents are shown at historical cost. Trademarks and patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and patents over their estimated useful lives.

(c) Research and developments costs

Costs associated with research activities are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable assets controlled by the Group are recognised as intangible assets when the following criteria are met:

— it is technically feasible to complete the product so that it will be available for use;
— management intends to complete the product and use or sell it;
— there is an ability to use or sell the product;
— it can be demonstrated how the product will generate probable future economic benefits;
— adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
— the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are recognised as part of the product include the product development employee costs. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Product development costs recognised as assets are amortised over their estimated useful lives of three years on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets *(continued)*

(d) *Contractual customer relationships*

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from five years over the expected life of the customer relationship.

(e) *Other intangible assets arising from business combinations*

Intangible assets, other than goodwill, identified on business combinations are capitalized at their fair values. They represent mainly order backlogs and non-compete agreements. Intangible assets arising from business combinations with definite useful lives are amortised on a straight-line basis from the date of acquisition over their estimated useful lives of six years.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 *Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

2.10.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2.10.3 Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

2.10.4 Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in 2.10.3 above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

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

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

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent it relates to items recognised in other comprehensive income or directly in equity.

(a) ***Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.17 Current and deferred income tax *(continued)*

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(a) Pension obligations

The Group maintains defined contribution plans in both Hong Kong and the China. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Under the Group's defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plan

Provisions for bonus plans due wholly within twelve months after the end of reporting period are recognised when the Group has a legal or construction obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Share-based payments

The Group operates an equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions (for example, an entity's share price);
— excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
— including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(c) Sundry income

Sundry income is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for land use right, are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease obligations. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.23 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks on behalf of subsidiaries to secure banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated statement of comprehensive income within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group under policies approved by the directors of the Company.

(a) Market risk

Foreign exchange risk

The Group operates principally in Hong Kong and in China. It is exposed to foreign exchange risk primarily with respect to Hong Kong dollar and Chinese Renminbi ("RMB") denominated transactions. Foreign exchange risk arises where future commercial transactions, recognised assets and liabilities are denominated in currency that is not the Company's functional currency. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the China government.

As at 31 December 2013 and 2012, the Group's borrowings are denominated in Hong Kong dollar, US dollar or JPY. Since Hong Kong dollar is pegged to US dollar, the Group believes the exposure of transactions denominated in Hong Kong dollar which are entered into the Group to be insignificant.

As at 31 December 2013, if RMB had strengthened/weakened by 5% with all other variables held constant, the post tax profit for the year would have been HK$3,418,000 higher/lower, mainly as a result of foreign exchange gains/losses on revaluation of RMB denominated bank deposits, receivables and payables (2012: post tax loss HK$5,903,000 lower/higher, mainly as a result of foreign exchange gains/losses on revaluation of RMB denominated bank deposits, receivables and payables).

The Group has certain investments in available-for-sale financial assets which are denominated in foreign currencies (Note 11).

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group also regularly reviews the portfolio of suppliers and the currencies in which the transactions are denominated so as to minimise the Group's exposure to foreign exchange risk.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) *Market risk* *(continued)*

Price risk

The Group is exposed to equity price change arising from its financial assets at fair value through profit or loss and available-for-sale financial assets. The Group's financial instruments are equity securities which are subject to change in market prices of the securities. To manage its price risk arising from investments in equity securities available for sale, the Group diversity its portfolio.

As of 31 December 2013, the Group's investments in listed entities that are publicly traded are subject to price risk. A 10% change is used when reporting the price risk internally to the management. If the price of the respective equity instruments had been 10% higher/lower, the equity would have been increased/decreased by approximately HK$26,197,000 (2012: HK$3,243,000).

The Group is not exposed to significant commodity price risk as at 31 December 2013 (2012: Same).

Interest rate risk

Except for the cash held at banks and loan receivables from a third party, the Group has no other significant interest bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

At 31 December 2013, if interest rates on cash held at banks had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$3,259,000 higher/lower, mainly as a result of higher/lower interest income on cash at banks. (2012: post-tax loss HK$3,100,000 lower/higher, mainly as a result of higher/lower interest income on cash at bank).

The Group's interest rate risk arises from bank borrowings which are interest bearing at floating rates and are repayable based on the bank repayment schedule. Borrowings issued at floating rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

At 31 December 2013, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$2,552,000 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. (2012 post-tax loss: HK$3,031,000 higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings).

The Group is not exposed to any fair value interest-rate risk as the Group does not have any fixed rates borrowings as at 31 December 2013 (2012: Same).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) *Credit risk*

Credit risk mainly arises from trade and other receivables, loan receivables and cash and cash equivalents.

As at 31 December 2013, the top five customers and the largest customer accounted for approximately 55% (2012: 63%) and 30% (2012: 34%) of the Group's trade receivables balance, respectively. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group normally conducts credit checks on new customers and requires them, and other customers with credit histories that the management is not satisfied with, to pay a deposit of on average of 30% of the sales amount, or to provide the Group with a letter of credit when placing orders.

For sales of machinery mode to automation customers, the Group normally requires customers to pay approximately 90% of the contracted sum before the goods delivery.

In order to minimise the credit risk of the Group, the management has implemented internal control 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 debtor at end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Based on the Group's historical experience in collection of trade and other receivables, the directors and the management are of opinion that adequate provision has been made for uncollectible receivables.

In regards to the loan granted by the Group, management assessed the financial position and performance of the counter-party, taking into account its business plans, past experience and other factors. Based on the assessment, the directors consider that the credit risk is not significant.

Cash and cash equivalents were deposited in over ten financial institutions, which management believes are reputable and without significant credit risk.

Certain share certificates of available-for-sale investments are placed in reputable securities brokers institutions. The credit risks in respect of these available-for-sale investments are considered to be low.

(c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group. Due to the dynamic nature of the underlying businesses, senior management of the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve which comprise undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows. The Group aims to maintain flexibility in funding while minimising its overall costs by keeping a mix of committed and uncommitted credit lines available.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

	On demand HK$'000	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
Group:					
At 31 December 2013					
Trade and bills payables	**–**	**154,992**	**–**	**–**	**154,992**
Accruals and other payables	**–**	**57,331**	**9,125**	**–**	**66,456**
Bank borrowings and interest payables (Note i)	**196,316**	**48,239**	**38,723**	**25,712**	**308,990**
Finance lease obligations and interest payables	**973**	**–**	**–**	**–**	**973**
	197,289	**260,562**	**47,848**	**25,712**	**531,411**
At 31 December 2012					
Trade and bills payables	–	180,207	–	–	180,207
Accruals and other payables	–	55,564	8,340	9,129	73,033
Bank borrowings and interest payables (Note i)	241,147	113,236	–	–	354,383
Finance lease obligations and interest payables	8,693	–	–	–	8,693
	249,840	349,007	8,340	9,129	616,316

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) ***Liquidity risk*** *(continued)*

	On demand HK$'000	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
Company:					
At 31 December 2013					
Bank borrowings and interest payables (Note i)	–	48,239	38,723	25,712	112,674
Financial guarantee contract to a subsidiary (Note ii)	196,316	–	–	–	196,316
	196,316	48,239	38,723	25,712	308,990
At 31 December 2012					
Bank borrowings and interest payables (Note i)	91,666	–	–	–	91,666
Financial guarantee contract to a subsidiary (Note ii)	158,174	113,236	–	–	271,410
	249,840	113,236	–	–	363,076

Note i:

Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. Based on the internal information provided by management, it is expected that the lender will not exercise its rights to demand repayment. The expected cash flows with reference to the schedule of repayments set out in the loan agreements are as follows:

	On demand HK$'000	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
Group:					
At 31 December 2013					
Trade and bills payables	–	154,992	–	–	154,992
Accruals and other payables	–	57,331	9,125	–	66,456
Bank borrowings and interest payables	–	245,062	38,723	25,712	309,497
Finance lease obligations	–	979	–	–	979
	–	458,364	47,848	25,712	531,924
At 31 December 2012					
Trade and bills payables	–	180,207	–	–	180,207
Accruals and other payables	–	55,564	8,340	9,129	73,033
Bank borrowings and interest payables	91,666	263,111	–	–	354,777
Finance lease obligations	–	7,824	979	–	8,803
	91,666	506,706	9,319	9,129	616,820

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

	On demand HK$'000	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
Company:					
At 31 December 2013					
Bank borrowings	**–**	**48,239**	**38,723**	**25,712**	**112,674**
Financial guarantee contract to a subsidiary (Note ii)	**–**	**196,823**	**–**	**–**	**196,823**
	–	**245,062**	**38,723**	**25,712**	**309,497**
At 31 December 2012					
Bank borrowings	91,666	–	–	–	91,666
Financial guarantee contract to a subsidiary (Note ii)	–	270,935	979	–	271,914
	91,666	270,935	979	–	363,580

Note ii:

These amounts are financial guarantees from the Company to its subsidiary relating to certain banking facilities representing the hypothetical payment should the guarantees be crystalised. However based on the operating results, the Company does not expect them to be crystalised.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern in order to provide returns for shareholders and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or dispose of assets to reduce debt.

The Group monitors capital by maintaining a net cash position throughout the year. Net cash position is calculated as cash and cash equivalents less total bank borrowings and finance lease obligations. As at 31 December 2013, the Group maintained a net cash position of HK$20,270,000 (2012: HK$2,866,000).

3.3 Fair value estimation

The fair value measurements of financial instruments of the Group that are measured at fair value in the consolidated statement of financial position are disclosed by level of the following fair value measurement hierarchy:

— Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

— Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

— Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise listed shares classified as financial assets at fair value through profit or loss and available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As of 31 December 2013 and 2012, instruments included in level 2 comprise available-for-sale financial assets which represent investments in equity instruments that do not have a quoted market price in an active market as of the end of reporting period. The fair values of these unlisted securities are determined by the information available from recent transactions.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Instruments included in level 3 comprise contingent consideration payable in relation to acquisition of a subsidiary which represents payable to the selling shareholder that do not have a quoted market price in an active market as of 31 December 2013 and 2012.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's assets/(liabilities) that are measured at fair value at 31 December 2013:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2013				
Assets				
Financial assets at fair value through profit or loss	**1,321**	**–**	**–**	**1,321**
Available-for-sale financial assets	**260,644**	**22,269**	**74,391**	**357,304**
Liabilities				
Contingent consideration in relation acquisition of a subsidiary	**–**	**–**	**(16,949)**	**(16,949)**
	261,965	**22,269**	**57,442**	**341,676**
As at 31 December 2012				
Assets				
Financial assets at fair value through profit or loss	1,276	–	–	1,276
Available-for-sale financial assets	32,432	62,327	–	94,759
Liabilities				
Contingent consideration in relation acquisition of a subsidiary	–	–	(23,124)	(23,124)
	33,708	62,327	(23,124)	72,911

Transfer between level 2 & 3 is addressed in the Level 3 reconciliation in Note 3.5 below.

3.4 Valuation techniques used to derive Level 2 fair values

As at 31 December 2013, the Group had available-for-sale financial assets of HK$22,269,000 (2012: HK$62,327,000) that are within Level 2. These available-for-sale financial assets represent the investment in equity instruments that do not have a quoted market price in an active market at the end of reporting period. The fair values of these unlisted securities are determined by the information available from recent transactions.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.5 Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in level 3 instruments for the year ended 31 December 2013:

	Available-for-sale financial assets HK$'000	Contingent consideration payable in relation to acquisition of a subsidiary HK$'000
Opening balance at 1 January 2013	–	(23,124)
Addition	27,584	–
Transfer to Level 3 (Note)	46,807	–
Losses recognised in profit or loss	–	(1,973)
Settlement during the year	–	8,148
Closing balance at 31 December 2013	74,391	(16,949)
Change in unrealised losses for the period included in profit or loss for liabilities held at end of the reporting period, under 'Finance costs' (Note 28)	–	(1,333)

Note:

As at 31 December 2013, the Group valued its investment in unlisted shares classified as available-for-sale financial asset using a discounted cash flow approach which is not based on observable inputs. As at 31 December 2012, the available-for-sale financial asset was fair valued with reference to recent transaction price.

The fair value of contingent consideration payable in relation to acquisition of a subsidiary is recognised based on the estimated net profit of Gallant Tech Limited and its subsidiaries (the "Gallant Tech Group") for the years ended 31 December 2013 and 31 December 2014. This implies the potential undiscounted amount of all future payments that the Group could be required to make under this arrangement would vary by a change of assumed probability — adjusted net profit of Gallant Tech Group.

At 31 December 2013, if the estimated net profit of Gallant Tech Group for the year ending 31 December 2014 had increased/decreased by 20% with all other variables held constant, post-tax profit for the period would have been HK$797,000 lower/HK$1,916,000 higher, as a result of losses/gains recognised in respect of the increase/decrease in fair value of the contingent consideration.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no changes in valuation techniques during the year.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.6 Group's valuation processes

The Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. This team reports directly to the chief financial officer ("CFO") and the audit committee ("AC"). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every month, in line with the Group's monthly reporting dates.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, AC and the valuation team. As part of that discussion, the team presents a report that explains the reasons for the fair value movements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at the end of each reporting period.

(b) Impairment of property, plant and equipment, land use right and intangible assets

Property, plant and equipment, land use right and intangible assets are reviewed for impairment whenever events or change in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs to sell calculations. The calculations require the use of judgements and estimates.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(c) Useful lives of property, plant and equipment and intangible assets

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

(d) Estimated recoverability of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and current market conditions, and requires the use of judgements and estimates. Management reassesses the provision at the end of each reporting period.

(e) Income taxes

The Group is mainly subject to income taxes in jurisdictions in Hong Kong and China. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates are changed.

(f) Research and development costs

Critical judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at the end of each reporting period. In addition, all internal activities related to the research and development of new products is continuously monitored by the Group's management.

(g) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(h) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial assets is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(i) Contingent considerations of acquisition

The Group's business acquisition involved post-acquisition performance-based contingent considerations. The Group follows the requirement of HKFRS 3 (Revised) to recognise the fair value of those contingent considerations for acquisition, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired business. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired business and significant judgement on time value of money. Contingent considerations shall be re-measured at their fair value resulting from events or factors emerge after the acquisition date, with any resulting gain or loss recognised in the consolidated comprehensive income.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer of the Company (the "CEO") that are used to make strategic decisions.

The CEO considers the business from a perspective of different product categories. The reportable operating segments were classified as Automation, Life Energy, Life Security and Life Touch.

Other products include mainly the communication- and automotives-related products. These are not qualified as reportable segments as these segments do not meet the quantitative thresholds required by HKFRS 8 and, accordingly, the segment information of these operations are included in "Other Segments".

Sales between segments are carried out at arm's-length. The Group's revenue by segment is as follows:

	2013			2012		
	Total segment revenue HK$'000	**Inter segment revenue HK$'000**	**Revenue from external customers HK$'000**	Total segment revenue HK$'000	Inter segment revenue HK$'000	Revenue from external customers HK$'000
Automation	**374,754**	**(1,515)**	**373,239**	393,257	(24,319)	368,938
Life Energy	**51,115**	**–**	**51,115**	93,275	–	93,275
Life Security	**128,090**	**–**	**128,090**	175,908	–	175,908
Life Touch	**365,805**	**–**	**365,805**	374,321	–	374,321
Other Segments	**118,413**	**–**	**118,413**	187,993	–	187,993
Total	**1,038,177**	**(1,515)**	**1,036,662**	1,224,754	(24,319)	1,200,435

5 SEGMENT INFORMATION *(continued)*

Reportable segment information is reconciled to profit/(loss) before income tax as follows:

	2013 HK$'000	2012 HK$'000
Operating (loss)/profit		
Automation	11,049	8,030
Life Energy	(20,075)	5,346
Life Security	877	7,753
Life Touch	(16,483)	45,001
Other Segments	(2,310)	2,938
Total	(26,942)	69,068
Unallocated:		
Depreciation shared by various reportable segments and head office	(17,235)	(17,773)
Amortisation of land use right	(116)	(116)
Other gain	315,581	350
Other income — net	1,048	9,289
Other distribution costs and administrative expenses	(128,091)	(109,757)
Finance (costs)/income — net	(2,157)	22
Share of loss of associates	(7,966)	(2,127)
Profit/(loss) before income tax	134,122	(51,044)

	2013 HK$'000	2012 HK$'000
Other segment items — depreciation and amortisation		
Automation	(2,971)	(3,839)
Life Energy	(5,991)	(7,026)
Life Security	(22,462)	(25,139)
Life Touch	(35,797)	(28,813)
Other Segments	(5,832)	(7,689)
	(73,053)	(72,506)

During the year, the Group recorded a provision for impairment of inventories of HK$13,305,000 (2012: Nil), HK$18,510,000 (2012: Nil) and HK$1,185,000 (2012: Nil) in the segment results of Life Energy, Life Touch and Other Segments respectively. No provision for impairment of inventories has been made for Automation and Life Security (2012: Nil).

In addition, the Group recorded a provision for impairment of intangible assets of HK$7,761,000 (2012: Nil), HK$1,089,000 (2012: Nil) and HK$2,133,000 (2012: Nil) in the segment results of Life Energy, Life Security and Other Segments respectively. No provision for impairment of intangible assets has been made for Automation and Life Touch (2012: Nil).

5 SEGMENT INFORMATION *(continued)*

The revenue from external parties reported to the CEO is measured in a manner consistent with that in the consolidated financial statements.

The CEO assesses the performance of the operating segments based on a measure of operating profit, which is in a manner consistent with that of the consolidated financial statements.

Other gain, other income — net, distribution and administrative expenses are not allocated to segments, as they are inseparable for each product and not attributable to particular reportable segments. Finance income and costs are not allocated to segments, as these items are managed by the central finance and accounting function, which manages the working capital of the Group.

The assets attributable to different reportable segments assets are reconciled to total assets as follows:

	2013 HK$'000	2012 HK$'000
Segment assets		
Automation	**201,654**	220,936
Life Energy	**43,755**	73,320
Life Security	**96,785**	89,131
Life Touch	**198,428**	246,746
Other Segments	**122,892**	138,203
Segment assets for reportable and other segments	**663,514**	768,336
Unallocated:		
Property, plant and equipment shared by various reportable segments	**323,580**	330,812
Land use right	**4,806**	4,922
Available-for-sale financial assets	**357,304**	94,759
Investments in associates	**22,500**	30,465
Deferred income tax assets	**13,996**	11,869
Inventories shared by various reportable segments	**76,994**	115,529
Prepayments, deposits and other receivables	**34,056**	53,376
Financial assets at fair value through profit or loss	**1,321**	1,276
Loan receivables	**–**	19,379
Cash and cash equivalents	**274,879**	308,407
Total assets	**1,772,950**	1,739,130

The amounts provided to the CEO with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. Segment assets represent property, plant and equipment attributable to various reportable segments, trade receivables, prepayments, deposits and other receivables, current income tax recoverables, inventories and intangible assets attributable to various reportable segments.

Unallocated segment assets comprise property, plant and equipment and inventories shared by various reportable segments, land use right, deferred income tax assets, loan receivables, investments in associates, prepayments, deposits and other receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and cash and cash equivalents which are inseparable for each product and are not attributable to particular reportable segments.

5 SEGMENT INFORMATION *(continued)*

Reportable segments liabilities are reconciled to total liabilities as follows:

	2013 HK$'000	2012 HK$'000
Segment liabilities		
Automation	**110,932**	131,686
Life Energy	**9,501**	16,952
Life Security	**23,808**	31,970
Life Touch	**67,992**	68,031
Other Segments	**22,010**	34,167
Segment liabilities for reportable and other segments	**234,243**	282,806
Unallocated:		
Accruals and other payables	**73,172**	77,665
Bank borrowings	**250,050**	295,997
Finance leases obligations	**973**	8,693
Current income tax liabilities	**10,792**	8,435
Total liabilities	**569,230**	673,596

The amounts provided to the CEO with respect to total liabilities are measured in a manner consistent with those as shown in the consolidated financial statements. Segment liabilities represent trade payables which are allocated based on the operations of the segment, accruals and other payables, deferred income tax liabilities, current income tax liabilities and interest-bearing liabilities attributed to various reportable segments.

Unallocated segment liabilities comprise accruals and other payables, interest-bearing liabilities, current income tax liabilities and deferred income tax liabilities, which are inseparable for each product and not attributable to particular reportable segments.

Revenue from externals customers are derived from the sales of goods net of returns and rebates.

Members of the Group are mainly domiciled in Hong Kong and China while their major customers are mainly located in China and the United States of America.

The Group's revenue derived from external customers located in China and the United States of America is HK$479,884,000 (2012: HK$541,097,000) and HK$448,198,000 (2012: HK$488,903,000) respectively, while the remaining revenue is derived from customers located in other countries.

The total amount of non-current assets other than deferred income tax assets located in China is HK$586,904,000, (2012: HK$630,568,000), and the total amount of these non-current assets located in other countries is HK$461,283,000 (2012: HK$259,244,000).

For the year ended 31 December 2013, revenue of approximately HK$373,258,000 (2012: HK$381,051,000) is derived from a customer in the Life Touch segment.

6 PROPERTY, PLANT AND EQUIPMENT

The Group:

	Buildings HK$'000	Leasehold improvements, furniture and fixtures and office equipment HK$'000	Machinery and factory equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
At 1 January 2012							
Cost	203,070	37,234	449,136	21,145	5,858	60,793	777,236
Accumulated depreciation	(12,377)	(16,885)	(175,263)	(12,324)	(2,637)	–	(219,486)
Net book amount	190,693	20,349	273,873	8,821	3,221	60,793	557,750
For the year ended 31 December 2012							
Opening net book amount	190,693	20,349	273,873	8,821	3,221	60,793	557,750
Acquisition of a subsidiary	–	817	–	236	366	–	1,419
Additions	117	1,443	10,485	2,505	1,972	106,668	123,190
Transfers	2,497	–	69,334	–	–	(71,831)	–
Disposal	–	(325)	(2)	(108)	–	–	(435)
Depreciation	(5,516)	(5,633)	(50,811)	(3,254)	(832)	–	(66,046)
Exchange difference	–	1	–	–	3	–	4
Closing net book amount	187,791	16,652	302,879	8,200	4,730	95,630	615,882
At 31 December 2012							
Cost	205,684	38,814	528,917	22,042	8,199	95,630	899,286
Accumulated depreciation	(17,893)	(22,162)	(226,038)	(13,842)	(3,469)	–	(283,404)
Net book amount	187,791	16,652	302,879	8,200	4,730	95,630	615,882
For the year ended 31 December 2013							
Opening net book amount	187,791	16,652	302,879	8,200	4,730	95,630	615,882
Additions	–	4,861	9,716	2,957	–	7,823	25,357
Transfers	–	136	4,332	–	178	(4,646)	–
Disposal	–	(1,032)	–	(243)	–	–	(1,275)
Depreciation	(5,142)	(5,078)	(53,254)	(3,224)	(884)	–	(67,582)
Closing net book amount	182,649	15,539	263,673	7,690	4,024	98,807	572,382
At 31 December 2013							
Cost	205,684	41,950	542,965	23,997	8,377	98,807	921,780
Accumulated depreciation	(23,035)	(26,411)	(279,292)	(16,307)	(4,353)	–	(349,398)
Net book amount	182,649	15,539	263,673	7,690	4,024	98,807	572,382

6 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation expense of HK$49,941,000 (2012: HK$47,808,000) has been charged to cost of sales and HK$17,641,000 (2012: HK$18,238,000) has been charged to administrative expenses, respectively.

The Group's buildings are situated outside Hong Kong under medium term leases.

Machinery with a carrying amount of HK$5,531,000 (2012: HK$30,706,000) is held under finance leases.

The Group is in the process of applying for real estate ownership certificates of certain factory buildings and the carrying amounts of such construction-in-progress and buildings amounted to HK$179,970,000 (2012: HK$198,466,000) as of 31 December 2013.

7 LAND USE RIGHT

The Group:

The Group's interest in land use right represent prepaid operating lease payments and its net book amount is analysed as follows:

	2013 **HK$'000**	2012 HK$'000
In China held on:		
Lease between 10 and 50 years	**4,806**	4,922

Movements during the year are as follows:

	2013 **HK$'000**	2012 HK$'000
At beginning of year	**4,922**	5,038
Amortisation	**(116)**	(116)
At end of year	**4,806**	4,922

Amortisation expense of HK$116,000 (2012: HK$116,000) has been charged to administrative expenses.

8 INTANGIBLE ASSETS

The Group:

	Goodwill HK$'000	Trademarks and patents HK$'000	Development costs HK$'000	Contractual customers relationships HK$'000	Other intangible assets HK$'000	Total HK$'000
For the year ended 31 December 2012						
Opening net book amount	1,500	1,639	30,557	–	–	33,696
Acquisition of a subsidiary	43,722	–	–	14,497	832	59,051
Additions	–	408	16,855	–	–	17,263
Amortisation	–	(1,097)	(19,761)	(2,899)	(476)	(24,233)
Closing net book amount	45,222	950	27,651	11,598	356	85,777
At 31 December 2012						
Cost	45,222	4,849	69,656	14,497	832	135,056
Accumulated amortisation	–	(3,899)	(42,005)	(2,899)	(476)	(49,279)
Net book amount	45,222	950	27,651	11,598	356	85,777
For the year ended 31 December 2013						
Opening net book amount	**45,222**	**950**	**27,651**	**11,598**	**356**	**85,777**
Acquisition of a subsidiary	**2,900**	**–**	**–**	**–**	**–**	**2,900**
Additions	**–**	**2,670**	**17,545**	**–**	**–**	**20,215**
Amortisation	**–**	**(1,376)**	**(19,493)**	**(2,899)**	**(72)**	**(23,840)**
Impairment charge	**–**	**–**	**(10,983)**	**–**	**–**	**(10,983)**
Closing net book amount	**48,122**	**2,244**	**14,720**	**8,699**	**284**	**74,069**
At 31 December 2013						
Cost	**48,122**	**7,519**	**87,201**	**14,497**	**832**	**158,171**
Accumulated amortisation and impairment	**–**	**(5,275)**	**(72,481)**	**(5,798)**	**(548)**	**(84,102)**
Net book amount	**48,122**	**2,244**	**14,720**	**8,699**	**284**	**74,069**

Amortisation expense of HK$23,840,000 (2012: HK$24,233,000) has been charged to cost of sales in the consolidated statement of comprehensive income.

8 INTANGIBLE ASSETS *(continued)*

Impairment test for goodwill

Management considered each subsidiary represents a separate CGU for the purpose of goodwill impairment testing.

The recoverable amount of the CGUs are determined based on value in use calculations.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts.

As of 31 December 2013, the carrying amounts of goodwill allocated to the Automation and Life Security segment amounted to HK$43,722,000 (2012: HK$43,722,000) and HK$4,400,000 (2012: HK$1,500,000) respectively.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years with a terminal value related to the future earnings potential of CGU beyond the next three years. The financial budgets and growth rates are estimated based on past performance and its expectations of market development. The key assumptions used for the value-in-use calculations are as follows:

	Automation	Life Security
For the year ended 31 December 2013		
Growth rate (terminal growth rate)	**3%**	**3%**
Discount rate	**10%**	**10%**
For the year ended 31 December 2012		
Growth rate (terminal growth rate)	3%	3%
Discount rate	10%	7%

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGUs to exceed the aggregate recoverable amount of CGUs.

9 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES

	2013 HK$'000	2012 HK$'000
The Company		
Investment in unlisted subsidiaries, at cost	**250,000**	250,000
Amounts due from subsidiaries	**911,568**	595,371
Amounts due to subsidiaries	**(283,284)**	–

The amounts due from/(to) subsidiaries are unsecured, interest-free and denominated in US dollars. The amounts approximate their fair value.

9 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES *(continued)*

Details of the subsidiaries of the Company are as follows:

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up share capital/registered capital	Effective interest held by the Group	Principal activities
Directly held:					
Great Sphere Developments Limited	3 July 2012	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Success Charm Holdings Limited	11 May 2009	British Virgin Islands	27,774,264 shares of US$1 each	100%	Investment holding
Indirectly held:					
Brilliant Victory Holdings Limited	23 November 2012	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Charming Lion Limited	6 May 2009	British Virgin Islands	2 shares of US$1 each	100%	Investment holding
Cherry Light Limited	11 May 2009	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Cybertouch-Tech Company Limited	13 October 2000	Hong Kong	10,000 shares of HK$1 each	100%	Investment holding
Cyber Communications Company Limited	24 February 2011	Hong Kong	1 share of HK$1 each	100%	Investment holding
Cyber Energy Limited	18 December 2009	Hong Kong	1 share of HK$1 each	100%	Investment holding
Cyber Lighting Technology Limited	18 January 2011	British Virgin Islands	1 share of US$1 each	100%	Inactive
Cyber Medics Company Limited	24 February 2011	Hong Kong	1 share of HK$1 each	100%	Investment holding
Cyber Products Technology Company Limited	2 March 2011	Hong Kong	1 share of HK$1 each	100%	Inactive
Cyber Vision Technology Limited	18 January 2011	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Ever Firm Limited	6 May 2009	British Virgin Islands	1 share of US$1 each	100%	Investment holding
FingerQ Technology Limited	30 May 2013	British Virgin Islands	1 share of US$1 each	100%	Investment holding

9 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up share capital/registered capital	Effective interest held by the Group	Principal activities
Indirectly held: *(continued)*					
FingerQ Secure Network Limited	19 February 2013	Hong Kong	1 share of HK$1 each	100%	Investment holding
FingerQ Macao Commercial Offshore Limited *(Note)*	14 December 2007	Macau	1 share of MOP$100,000 each	100%	Trading of software
Forever Best Investments Limited	9 August 2013	Hong Kong	1 share of HK$1 each	100%	Inactive
Gain Glory Holdings Limited	28 September 2012	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Gallant Tech Limited	10 May 2007	Hong Kong	5,000,000 shares of HK$1 each	100%	Trading of machines and spare parts and investment holding
Gallant Tech (i-manufacturing) Limited	15 October 2012	British Virgin Islands	1 share of US$1 each	100%	Inactive
Giant Leap International Limited	27 September 2013	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Golden Vast Limited	11 April 2011	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Golden Vast Macao Commercial Offshore Limited	26 February 2011	Macau	1 share of MOP$1,000,000 each	100%	Trading of electronic products
Grand Sheen Group Limited	18 January 2011	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Great Earnings Limited	23 April 2012	Hong Kong	1 share of HK$1 each	100%	Inactive
Great Ray Developments Limited	3 July 2012	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Heshan World Fair Electronics Technology Limited	18 November 2004	China	US$57,250,000	100%	Manufacturing of printed circuit board touch pad
Majestic Fortune Limited	11 January 2011	British Virgin Islands	1 share of US$1 each	100%	Investment holding

9 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up share capital/registered capital	Effective interest held by the Group	Principal activities
Indirectly held: *(continued)*					
Shining Union Limited	9 July 2009	Hong Kong	1 share of HK$1 each	100%	Management and holding of patents, trademarks and designs
Silkray Limited	11 May 2009	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Smart Riches Limited	13 January 2011	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Surplus Creation Investments Limited	3 January 2013	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Up Castle Limited	9 July 2009	Hong Kong	1 share of HK$1 each	100%	Trading of electronic products
World Design Technology Limited	4 November 2009	British Virgin Islands	1 share of US$1 each	100%	Investment holding
World Fair International Limited	27 December 1996	Hong Kong	100,000 shares of HK$1 each	100%	Trading of electronic products
深圳市佳力興業電子科技有限公司	23 June 2006	China	RMB1,500,000	100%	Trading of machines and spare parts
WWTT Technology China	1 November 2011	China	HK$1,000,000	100%	Research and development

Note:

On 25 February 2013, the Group acquired from a third party 100% of the share capital of FingerQ Macao Commercial Offshore Limited, which was an inactive company based in Macau before acquisition.

The acquired business contributed no turnover and loss attributable to shareholders of HK$3,507,000 to the Group for the period from its date of acquisition to 31 December 2013. Details of net assets acquired and goodwill are as follows:

	2013 HK$'000
Cash consideration	**2,900**
Less: fair value of total identifiable net assets acquired	**–**
Goodwill *(Note 8)*	**2,900**

Acquisition-related costs of HK$486,000 have been charged to administrative expenses in the consolidated statement of comprehensive income in prior years.

10 INVESTMENTS IN ASSOCIATES

The Group:

	2013 HK$'000	2012 HK$'000
At 1 January	**30,465**	–
Acquisition of associates	**–**	32,592
Share of losses of associates	**(7,965)**	(2,127)
At 31 December	**22,500**	30,465

Set out below are the associates of the Group as at 31 December 2013. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates as at 31 December 2013 and 2012

Name	Place of business/ country of incorporation	Principal activities	Measurement method
Advanced Radio Device Technologies, Inc. ("ARDT")	Korea	Research and development, manufacturing, sales and marketing of semiconductors for communication and related equipment	Equity
Tekmar, Inc.	USA	Research and development, manufacturing, sales of carriergrade wireless telecommunication systems and components	Equity

ARDT and Tekmar, Inc. are private companies and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the associates.

During the year ended 31 December 2013, the Group did not have any unrecognised share of losses of associates (2012: Nil).

10 INVESTMENTS IN ASSOCIATES *(continued)*

Summarised financial information for associates

Set out below are the summarised financial information for the ARDT and Tekmar, Inc. which are accounted for using the equity method.

Summarised statement of financial position

	ARDT		Tekmar, Inc.		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current						
Total current assets	**7,977**	12,142	**643**	13,350	**8,620**	25,492
Total current liabilities	**(84)**	(153)	**(482)**	(865)	**(566)**	(1,018)
Non-current						
Total non-current assets	**6,140**	7,278	**16,241**	20,260	**22,381**	27,538
Total non-current liabilities	**(2,327)**	(2,385)	**(6,291)**	(9,565)	**(8,618)**	(11,950)
Net assets	**11,706**	16,882	**10,111**	23,180	**21,817**	40,062

Summarised statement of comprehensive income

	ARDT		Tekmar, Inc.		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**901**	385	**310**	–	**1,211**	385
Post-tax loss from continuing operations	**(5,176)**	(3,281)	**(14,556)**	(4,593)	**(19,732)**	(7,874)
Other comprehensive income	**–**	–	**331**	–	**331**	–
Total comprehensive income	**(5,176)**	(3,281)	**(14,225)**	(4,593)	**(19,401)**	(7,874)
Dividends received from associate	**–**	–	**–**	–	**–**	–
Post-tax loss from continuing operations after acquisition	**(5,176)**	(2,123)	**(14,556)**	(3,035)	**(19,732)**	(5,158)

10 INVESTMENTS IN ASSOCIATES *(continued)*

Summarised financial information for associates *(continued)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates.

Summarised financial information	ARDT 2013 HK$'000	ARDT 2012 HK$'000	Tekmar, Inc. 2013 HK$'000	Tekmar, Inc. 2012 HK$'000	Total 2013 HK$'000	Total 2012 HK$'000
Opening net assets 1 January/acquisition date	**16,882**	19,005	**23,180**	26,215	**40,062**	45,220
Post acquisition loss for the period	**(5,176)**	(2,123)	**(14,556)**	(3,035)	**(19,732)**	(5,158)
Other comprehensive income	**–**	–	**331**	–	**331**	–
Issue of shares	**–**	–	**1,156**	–	**1,156**	–
Closing net assets	**11,706**	16,882	**10,111**	23,180	**21,817**	40,062
% of ownership	**43.00%**	43.00%	**39.43%**	40.00%		
Interest in associates	**5,034**	7,259	**3,987**	9,271	**9,021**	16,530
Goodwill	**8,900**	8,900	**5,035**	5,035	**13,935**	13,935
Effect on change in % of ownership	**–**	–	**(456)**	–	**(456)**	–
Carrying value	**13,934**	16,159	**8,566**	14,306	**22,500**	30,465

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group:

	2013 HK$'000	2012 HK$'000
Unlisted shares	**96,660**	62,327
Listed shares	**260,644**	32,432
	357,304	94,759
Market value of listed shares	**260,644**	32,432

The fair value for unlisted shares is determined by the information available from recent transactions.

The fair values of listed shares are determined on the basis of their quoted market prices at the end of reporting period.

At the end of reporting period, the Group's available-for-sale financial assets were individually reviewed for impairment by management. There was no provision for impairment (2012: Nil) recognised in the consolidated statement of comprehensive income for the year ended 31 December 2013. The Group does not hold any collateral over these balances.

No available-for-sale financial assets were pledged as security for bank borrowings of the Group at the end of the reporting period.

Available-for-sale financial assets are denominated in the following currencies:

	2013 HK$'000	2012 HK$'000
Japanese yen	**–**	32,432
US dollar	**163,889**	62,327
Norwegian Kroner	**113,715**	–
Swedish Krona	**57,432**	–
Canadian dollar	**22,268**	–
	357,304	94,759

12 INVENTORIES

The Group:

	2013 HK$'000	2012 HK$'000
Raw materials	**92,057**	115,529
Work in progress	**16,435**	23,143
Finished goods	**40,583**	36,026
	149,075	174,698

Cost of inventories of HK$790,289,000 (2012: HK$910,860,000) has been included in cost of sales.

As at 31 December 2013, raw materials, work in progress and finished goods of HK$33,000,000 in total are considered as obsolete. A provision of HK$33,000,000 was made as at 31 December 2013 (2012: Nil). The amount of provision for impairment has been included in "cost of sales" in the consolidated statement of comprehensive income.

13 TRADE RECEIVABLES

The Group:

	2013 HK$'000	2012 HK$'000
Trade receivables	**210,427**	259,373
Less: Provision for impairment of receivables	**(828)**	(537)
Trade receivables — net	**209,599**	258,836

The carrying amounts of trade receivables approximate their fair values.

13 TRADE RECEIVABLES *(continued)*

The Group generally grants a credit period of 30 to 90 days to its customers. For customers of automation products, a credit period ranging from 30 days to 60 days after acceptance is generally granted. The ageing analysis of trade receivables based on invoice date is as follows:

	2013 HK$'000	2012 HK$'000
0 to 30 days	**131,227**	176,950
31 to 60 days	**30,672**	32,743
61 to 90 days	**27,167**	28,629
91 to 120 days	**6,590**	1,697
Over 120 days	**14,771**	19,354
	210,427	259,373

As at 31 December 2013, trade receivables of HK$177,693,000 (2012: HK$220,316,000) are neither past due nor impaired. These relate to customers for whom there is no recent history of default.

As at 31 December 2013, trade receivables of HK$31,906,000 (2012: HK$38,520,000) were past due but not impaired. No provision has been made against these balances as the directors consider the amounts being recoverable and there is no recent history of default. The ageing analysis of these debtors based on invoice date is as follows:

	2013 HK$'000	2012 HK$'000
0 to 30 days	**8,050**	6,171
31 to 60 days	**5,207**	6,126
61 to 90 days	**11,381**	17,492
91 to 120 days	**3,683**	1,543
Over 120 days	**3,585**	7,188
	31,906	38,520

As of 31 December 2013, trade receivables of HK$828,000 (2012: HK$537,000) were impaired and provided for. Amounts due from these customers were aged over 120 days.

13 TRADE RECEIVABLES *(continued)*

Trade receivables are denominated in the following currencies:

	2013 HK$'000	2012 HK$'000
US dollar	**185,447**	234,409
Hong Kong dollar	**100**	66
RMB	**20,947**	22,139
Others	**3,105**	2,222
	209,599	258,836

Movements on the provision for impairment of trade receivables are as follows:

	2013 HK$'000	2012 HK$'000
At 1 January	**537**	486
Acquisition of a subsidiary	**–**	51
Provision for impairment of trade receivables	**291**	–
At 31 December	**828**	537

The maximum exposure to credit risk at the reporting date is the fair value of trade receivables. The Group does not hold any collateral in respective of these balances.

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group 2013 HK$'000	The Group 2012 HK$'000	The Company 2013 HK$'000	The Company 2012 HK$'000
Non-current				
Prepayments for purchase of property, plant and equipment and intangible assets	**8,866**	6,943	**–**	–
Deposit for acquisition of available-for-sale financial assets	**–**	28,702	**–**	–
Prepaid insurance for a director	**4,870**	–	**–**	–
Others	**3,390**	2,983	**–**	–
	17,126	38,628	**–**	–
Loan receivables	**–**	19,379	**–**	–
Current				
Prepayments for purchase of inventories	**6,064**	20,951	**–**	–
Utility and other deposits	**3,554**	3,105	**–**	–
Value-added tax recoverable	**7,282**	5,625	**–**	–
Others	**7,835**	6,480	**1,745**	770
	24,735	36,161	**1,745**	770

The directors consider the balances of prepayments, deposits and other receivables are recoverable by reference to the nature of these balances and credit history of counterparties where applicable.

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

In November 2012, the Group granted a loan of principal amount HK$19,400,000 to DDS, Inc., in which the Group has 22.88% equity interest and classified as available-for-sale financial assets. The loan is secured interest-bearing at 3.8% per annum and denominated in US dollar. As at 31 December 2013, the loan had been fully repaid by DDS, Inc.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group:

	2013 HK$'000	2012 HK$'000
Listed shares	**1,321**	1,276

The Group's financial assets at fair value through profit or loss are denominated in Hong Kong dollar.

The fair values of listed shares are based on their current bid prices in an active market. Changes in fair values of financial assets at fair value through profit or loss are recorded in other income — net in the consolidated statement of comprehensive income. Financial assets at fair value through profit or loss are presented within 'investing activities' in the consolidated statement of cash flows.

The balance is denominated in Hong Kong dollar.

16 CASH AND CASH EQUIVALENTS

	The Group 2013 HK$'000	The Group 2012 HK$'000	The Company 2013 HK$'000	The Company 2012 HK$'000
Cash in hand	**128**	214	**–**	–
Cash at banks	**325,764**	365,081	**139,003**	145,830
	325,892	365,295	**139,003**	145,830

Cash and cash equivalents are denominated in the following currencies:

	The Group 2013 HK$'000	The Group 2012 HK$'000	The Company 2013 HK$'000	The Company 2012 HK$'000
RMB	**153,845**	156,039	**5,295**	5,053
US dollar	**163,218**	53,086	**132,338**	1,964
Hong Kong dollar	**5,554**	147,903	**1,365**	138,813
Others	**3,275**	8,267	**5**	–
	325,892	365,295	**139,003**	145,830

17 SHARE CAPITAL AND PREMIUM

	Number of shares (thousands)	Nominal value of ordinary shares HK$'000	Share premium HK$'000	Total HK$'000
Authorised capital — ordinary shares of HK$0.1 each				
At 1 January 2012, 31 December 2012 and 31 December 2013	3,500,000	350,000	–	350,000
Issued and fully paid:				
At 1 January 2012, 31 December 2012 and 31 December 2013	2,927,084	292,708	565,489	858,197

18 OTHER RESERVES AND RETAINED EARNINGS

The Group:

	Other reserves								
	Merger reserve (Note a) HK$'000	Capital reserve (Note b) HK$'000	Share option reserve HK$'000	Statutory reserve (Note d) HK$'000	Available-for-sale financial assets HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total HK$'000
For the year ended 31 December 2012									
At 1 January 2012	(215,150)	12,411	–	30,524	–	–	(172,215)	430,387	258,172
Loss for the year	–	–	–	–	–	–	–	(54,608)	(54,608)
Other comprehensive income:									
Fair value gain on available-for-sale financial assets	–	–	–	–	10,074	–	10,074	–	10,074
Currency translation differences	–	–	–	–	–	22	22	–	22
Total other comprehensive income	–	–	–	–	10,074	22	10,096	–	10,096
Total comprehensive income/(loss)	–	–	–	–	10,074	22	10,096	(54,608)	(44,512)
Transfer to statutory reserve	–	–	–	1,939	–	–	1,939	(1,939)	–
Dividends	–	–	–	–	–	–	–	(6,323)	(6,323)
At 31 December 2012	(215,150)	12,411	–	32,463	10,074	22	(160,180)	367,517	207,337
For the year ended 31 December 2013									
At 1 January 2013	**(215,150)**	**12,411**	**–**	**32,463**	**10,074**	**22**	**(160,180)**	**367,517**	**207,337**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**128,666**	**128,666**
Other comprehensive income:									
Fair value gain on available-for-sale financial assets	**–**	**–**	**–**	**–**	**19,004**	**–**	**19,004**	**–**	**19,004**
Total other comprehensive income	**–**	**–**	**–**	**–**	**19,004**	**–**	**19,004**	**–**	**19,004**
Total comprehensive income	**–**	**–**	**–**	**–**	**19,004**	**–**	**19,004**	**128,666**	**147,670**
Share options – value of employee services	**–**	**–**	**2,224**	**–**	**–**	**–**	**2,224**	**–**	**2,224**
Transfer to statutory reserve	**–**	**–**	**–**	**1,082**	**–**	**–**	**1,082**	**(1,082)**	**–**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,708)**	**(11,708)**
At 31 December 2013	**(215,150)**	**12,411**	**2,224**	**33,545**	**29,078**	**22**	**(137,870)**	**483,393**	**345,523**

18 OTHER RESERVES AND RETAINED EARNINGS *(continued)*

The Company:

	Capital reserve (Note c) HK$'000	Retained earnings HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 January 2012	34,750	19	–	34,769
Profit for the year	–	8,775	–	8,775
Dividends	–	(6,323)	–	(6,323)
At 31 December 2012	34,750	2,471	–	37,221
At 1 January 2013	**34,750**	**2,471**	**–**	**37,221**
Profit for the year	**–**	**14,568**	**–**	**14,568**
Dividends	**–**	**(11,708)**	**–**	**(11,708)**
Share options – value of employee services	**–**	**–**	**2,224**	**2,224**
At 31 December 2013	**34,750**	**5,331**	**2,224**	**42,305**

(a) Merger reserve represents the difference between the share capital of the Company and the combined share capital of the subsidiaries (after eliminating intra-group investments and share capital) acquired by the Company pursuant to the Group reorganisation in 2009.

(b) Capital reserve of the Group represents the net assets attributable to non-controlling shareholders which were acquired pursuant to the Group reorganisation in 2009, and is treated as a deemed contribution from equity holders and the release of share-based compensation reserve upon the incentive shares under share incentive scheme approved and adopted by the Group in 2008.

(c) Capital reserve of the Company arising from the Group reorganization in 2009 represents the difference between the nominal value of shares issued by the Company pursuant to the reorganisation and the aggregated net assets values of subsidiaries acquired.

(d) The China laws and regulations require companies registered in China to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are created for specific purposes. China company is required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

19 BANK BORROWINGS

	The Group 2013 HK$'000	The Group 2012 HK$'000	The Company 2013 HK$'000	The Company 2012 HK$'000
Non-current				
Bank loans, secured	**62,500**	–	**62,500**	–
Current				
Bank loans, secured	**178,129**	233,134	**45,833**	91,666
Trust receipts loans, secured	**64,020**	120,602	**–**	–
	242,149	353,736	**45,833**	91,666
Total bank borrowings	**304,649**	353,736	**108,333**	91,666

The Group's borrowings at the end of the reporting period were repayable as follows:

	The Group 2013 HK$'000	The Group 2012 HK$'000	The Company 2013 HK$'000	The Company 2012 HK$'000
Within one year	**242,149**	353,736	**45,833**	91,666
Between one and two years	**37,500**	–	**37,500**	–
Between two and five years	**25,000**	–	**25,000**	–
	304,649	353,736	**108,333**	91,666

The effective interest rates per annum were as follows:

	2013 HK$	2013 US$	2013 Others	2012 HK$	2012 US$	2012 Others
Bank loans	**2.49%**	**1.75%**	**–**	2.76%	2.00%	–
Trust receipt loans	**–**	**2.17%**	**–**	–	2.16%	2.15%

As at 31 December 2013, the Company's effective interest rate per annum in bank borrowings was 2.7% and was denominated in Hong Kong dollar.

Bank borrowings are secured by corporate guarantees provided by the Company and certain of its subsidiaries.

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The fair values of non-current borrowings, are determined by discounting the future cash flows at the current market interest rate available to the Group and are within Level 2 of the fair value hierarchy.

19 BANK BORROWINGS *(continued)*

Bank borrowings are denominated in the following currencies:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
US dollar	**108,316**	231,675	**–**	–
Hong Kong dollar	**196,333**	114,492	**108,333**	91,666
Others	**–**	7,569	**–**	–
	304,649	353,736	**108,333**	91,666

20 FINANCE LEASE OBLIGATIONS

Details of finance lease obligations are analysed as follows:

	2013	2012
	HK$'000	HK$'000
Total minimum lease payments under finance leases:		
— not later than one year	**979**	8,803
Less: Future finance charges	**(6)**	(110)
Finance leases obligations	**973**	8,693
Analysis of present value of finance lease obligations:		
— not later than one year	**973**	8,693

Finance lease obligations are denominated in Hong Kong dollar.

The effective interest rates per annum were as follows:

	2013	2012
Effective interest rates	**2.21%**	2.19%

21 DEFERRED INCOME TAX

The Group:

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following balances, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2013 HK$'000	2012 HK$'000
Deferred income tax assets to be recovered after more than 12 months	(13,996)	(11,869)
Deferred income tax liabilities to be settled after more than 12 months	1,976	2,630
	(12,020)	(9,239)

The gross movements on the deferred income tax assets and liabilities are as follows:

	2013 HK$'000	2012 HK$'000
At beginning of year	(9,239)	(1,872)
Acquisition of a subsidiary	–	3,455
Credited to the consolidated statement of comprehensive income (Note 29)	(2,781)	(10,822)
At end of year	(12,020)	(9,239)

The movement in deferred income tax assets and liabilities during the years 2013 and 2012, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation allowance		Unrealised (profits)/ losses in inventories		Fair value gains/(losses)		Tax loss		Total	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Deferred income tax (assets)/liabilities										
At 1 January	316	320	(9,059)	(2,192)	2,630	–	(3,126)	–	(9,239)	(1,872)
Acquisition of a subsidiary	–	–	–	–	–	3,455	–	–	–	3,455
(Credited to)/charged to the consolidated statement of comprehensive income	(232)	(4)	1,871	(6,867)	(653)	(825)	(3,767)	(3,126)	(2,781)	(10,822)
At 31 December	84	316	(7,188)	(9,059)	1,977	2,630	(6,893)	(3,126)	(12,020)	(9,239)

Deferred income tax liabilities of HK$6,860,000 (2012: HK$14,295,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted retained earnings of the Group's Chinese subsidiary amounting to HK$137,192,000 (2012: HK$285,891,000). In the opinion of the directors of the Company, these retained earnings are to be reinvested.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$999,000 (2012: Nil) in respect of losses amounting to HK$6,055,000 (2012: Nil) that can be carried forward against future taxable income. Such losses do not have expiry date.

22 TRADE AND BILLS PAYABLES

The Group:

	2013 HK$'000	2012 HK$'000
Trade payables	**153,856**	178,515
Bills payables	**1,136**	1,692
	154,992	180,207

The ageing analysis of trade and bills payables based on invoice date is as follows:

	2013 HK$'000	2012 HK$'000
0 to 30 days	**99,071**	152,595
31 to 60 days	**28,922**	21,442
61 to 90 days	**14,652**	2,390
91 to 120 days	**9,387**	7
Over 120 days	**2,960**	3,773
	154,992	180,207

The carrying amounts of trade and bills payables approximate their fair values.

The carrying amounts of the trade and bills payables are denominated in the following currencies:

	2013 HK$'000	2012 HK$'000
RMB	**44,876**	17,040
US dollar	**96,498**	149,930
Hong Kong dollar	**12,879**	10,351
Others	**739**	2,886
	154,992	180,207

23 ACCRUALS AND OTHER PAYABLES

	The Group 2013 HK$'000	The Group 2012 HK$'000	The Company 2013 HK$'000	The Company 2012 HK$'000
Non-current				
Contingent consideration payable in relation to acquisition of a subsidiary	**8,247**	16,949	**–**	–
Current				
Payable for purchase of property, plant and equipment	**3,602**	11,781	**–**	–
Salary and wages payable	**19,467**	18,064	**4,270**	259
Accrued operating expenses	**7,023**	5,670	**4,718**	3,858
Advance receipts from customers	**13,596**	29,340	**–**	–
Provision for value-added tax and other taxes in China	**16,320**	14,598	**–**	–
Contingent consideration payable in relation to acquisition of a subsidiary	**8,702**	6,175	**–**	–
Commission payables	**2,212**	3,979	**–**	–
Other accruals and other payables	**16,543**	12,828	**1,209**	770
	87,465	102,435	**10,197**	4,887

The carrying amounts of accruals and other payables approximate their fair values. As at 31 December 2013, approximately 50% (2012: 42%) of the carrying amounts of accruals and other payables are denominated in RMB, the remainings are mainly denominated in Hong Kong dollar.

24 OTHER GAIN AND OTHER INCOME — NET

	2013 HK$'000	2012 HK$'000
Other gain		
Fair value gains on financial assets at fair value through profit or loss	**45**	350
Gain on disposal of available-for-sale financial assets	**315,536**	–
	315,581	350
Other income — net		
Tax indemnity from the controlling shareholders (Note 29(b))	**–**	7,769
Others	**1,048**	1,520
	1,048	9,289

25 EXPENSES BY NATURE

	2013 HK$'000	2012 HK$'000
Employee benefit expenses (Note 26)	**169,829**	156,879
Cost of inventories	**790,289**	910,860
Provision of impairment loss on inventories	**33,000**	–
Provision of impairment loss on intangible assets	**10,983**	–
Provision for impairment on trade receivables	**291**	–
Auditor's remuneration		
— Audit services	**2,851**	2,523
— Non-audit services	**1,168**	5,844
Depreciation of property, plant and equipment (Note 6)	**67,582**	66,046
Operating lease rentals — office premises, factory and warehouse	**8,482**	8,673
Amortisation of land use right (Note 7)	**116**	116
Consumables and factory supplies	**1,939**	1,947
Electricity, water and utilities expenses	**16,346**	16,909
Freight and transportation	**8,716**	5,423
Bank charges	**2,999**	3,365
Other tax levies	**6,689**	6,772
Research and development expenses		
— Employee benefit expenses (Note 26)	**3,814**	3,937
— Amortisation of intangible assets (Note 8)	**23,840**	24,233
Commission expenses	**9,985**	12,919
Advertising and promotion expenses	**12,166**	1,534
Others	**37,962**	31,033
Total cost of sales, distribution costs and administrative expenses	**1,209,047**	1,259,013

26 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2013 HK$'000	2012 HK$'000
Wages and salaries	**166,755**	157,300
Other employee benefits	**10,915**	10,480
Share-based compensations	**2,224**	–
Pension costs — defined contribution plans and social security costs	**11,294**	9,891
	191,188	177,671
Less: amount recorded in research and development expenses (Note 25)	**(3,814)**	(3,937)
Less: amount capitalised as intangible assets (Note 8)	**(17,545)**	(16,855)
	169,829	156,879

26 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)
(continued)

(i) The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK$1,250 (2012: HK$1,000–HK$1,250) and thereafter contributions are voluntary.

(ii) As stipulated by the rules and regulations in China, the subsidiary operating in China contributes to state-sponsored retirement plans for its employees. The employees contribute approximately 8% of their basic salaries, while the subsidiary contributes approximately 17% of the basic salaries of its employees and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

27 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director of the Company paid/payable by the Group for the year ended 31 December 2013 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Share-based compensations HK$'000	Total HK$'000
Executive directors:						
Wong Kwok Fong	480	2,384	–	–	540	3,404
Ching Pui Yi	480	720	3,600	15	370	5,185
Tan Hui Kiat	150	542	400	–	148	1,240
Independent non-executive directors:						
Wong Chun Bong	288	–	–	–	–	288
Lee Kwok On, Matthew	216	–	–	–	–	216
Chan Wai	252	–	–	–	–	252
	1,866	3,646	4,000	15	1,058	10,585

27 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

The remuneration of every director of the Company paid/payable by the Group for the year ended 31 December 2012 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors:					
Wong Kwok Fong	480	2,370	–	–	2,850
Ching Pui Yi	480	720	–	14	1,214
Tan Hui Kiat	150	541	–	–	691
Independent non-executive directors:					
Wong Chun Bong	240	–	–	–	240
Lee Kwok On, Matthew	180	–	–	–	180
Chan Wai	210	–	–	–	210
	1,740	3,631	–	14	5,385

Notes:

(i) No directors waived or agreed to waive any emoluments during the year. No inducement for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2012: Same).

(ii) The remuneration shown represented remuneration received from the Group by these directors in their capacity as employee to the Group and/or in their capacity as directors of the Company.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors (2012: two directors), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals (2012: three individuals) during the year are as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries, bonuses, other allowances and benefits in kind	**5,419**	2,948
Share-based compensations	**796**	–
Retirement benefit — defined contribution scheme	**30**	14
	6,245	2,962

27 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Five highest paid individuals *(continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands		
Under HK$1,000,000	**–**	2
HK$1,000,001–HK$1,500,000	**–**	1
HK$1,500,001–HK$2,000,000	**2**	–
HK$2,000,001–HK$2,500,000	**–**	–
HK$2,500,001–HK$3,000,000	**1**	–

No inducement for joining the Group or compensation for loss of office was paid or payable to any five highest paid individuals during the year (2012: Same).

28 FINANCE INCOME AND COSTS

	2013 HK$'000	2012 HK$'000
Finance income		
— Interest income on bank deposits	**6,165**	8,529
— Interest income on loan receivables	**628**	95
	6,793	8,624
Finance costs:		
— Bank loans	**(5,714)**	(5,008)
— Finance lease obligations	**(101)**	(295)
— Trust receipt loans	**(1,802)**	(3,511)
— Notional accretion on deferred revenue	**–**	(268)
— Notional accretion of interest on contingent consideration payable	**(1,333)**	(1,426)
	(8,950)	(10,508)
Less amounts capitalised on qualifying assets	**–**	1,906
	(8,950)	(8,602)
Net finance (costs)/income	**(2,157)**	22

29 INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
Current income tax		
— Hong Kong profits tax	**2,480**	2,425
— China enterprise income tax	**5,917**	3,875
— Overseas income tax	**–**	26
	8,397	6,326
(Over)/under-provision in prior years	**(160)**	8,060
	8,237	14,386
Deferred income tax (Note 21)	**(2,781)**	(10,822)
	5,456	3,564

(a) Provision for income tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year (2012: 16.5%).

The statutory income tax rate applicable to Heshan World Fair Electronics Technology Limited, a subsidiary, is 25% (2012: 12.5%). A 5% withholding income tax is also imposed on dividends relating to profits remitted from the Chinese subsidiary.

Overseas income tax has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the country in which the Group operates.

29 INCOME TAX EXPENSE *(continued)*

(a) Provision for income tax *(continued)*

The taxation on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to profits in the respective jurisdiction as follows:

	2013 HK$'000	2012 HK$'000
Profit/(loss) before income tax	**134,122**	(51,044)
Tax calculated at domestic tax rates applicable to profits in the respective jurisdiction	**14,105**	(3,780)
Income not subject to tax	**(52,241)**	(2,314)
Expenses not deductible for tax purposes	**42,386**	4,431
Tax effects of associates' results reported net of tax	**367**	351
Effect of tax exemption granted to a subsidiary in China	**–**	(3,184)
(Over)/under provision in prior years	**(160)**	8,060
Tax loss for which no deferred income tax asset was recognised	**999**	–
Income tax expense	**5,456**	3,564

(b) Latest development of tax audit

In April 2010, the Hong Kong Inland Revenue Department ("IRD") has carried out a tax audit on the tax affairs of World Fair International Limited ("World Fair Hong Kong"), a subsidiary of the Company, for the years of assessment 2003/04 to 2008/09. During the tax audit, the IRD has issued estimated/additional profits tax assessments for the years of assessment 2003/04 to 2005/06 to World Fair Hong Kong.

In June 2012, the tax audit has been finalised and the settlement amount is HK$7,769,000 (Note 24).

The amount has been indemnified by Mr. Wong Kwok Fong and Ms. Ching Pui Yi, the controlling shareholders of the Company.

30 EARNINGS/(LOSS) PER SHARE

(a) Basic

The basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue.

	2013 HK$'000	2012 HK$'000
Profit/(loss) attributable to equity holders of the Company (HK$'000)	**128,666**	(54,608)
Weighted average number of ordinary shares in issue (thousands)	**2,927,084**	2,927,084
Basic earnings/(loss) per share (expressed in HK cents per share)	**4.40**	(1.87)

30 EARNINGS/(LOSS) PER SHARE *(continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2013 **HK$'000**	2012 HK$'000
Earnings		
Profit/(loss) attributable to equity holders of the Company (HK$'000)	**128,666**	(54,608)
Weighted average number of ordinary shares in issue (thousands)	**2,927,084**	2,927,084
Adjustments for:		
— Share options (thousands)	**1,437**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,928,521**	2,927,084
Diluted earnings/(loss) per share (expressed in HK cents per share)	**4.39**	N/A

31 DIVIDENDS

	2013 **HK$'000**	2012 HK$'000
Interim dividend paid — HK0.4 cents (2012: Nil) per share	**11,708**	–
Proposed final dividend — HK0.4 cents (2012: Nil) per share	**11,708**	–
	23,416	–

32 CASH (USED IN)/GENERATED FROM OPERATIONS

	2013 HK$'000	2012 HK$'000
Profit/(loss) before income tax	134,122	(51,044)
Adjustments for:		
— Finance income (Note 28)	(6,793)	(8,624)
— Finance costs (Note 28)	8,950	8,602
— Depreciation of property, plant and equipment (Note 6)	67,582	66,046
— Amortisation of land use right (Note 7)	116	116
— Amortisation of intangible assets (Note 8)	23,840	24,233
— Loss on disposal of property, plant and equipment and intangible assets	1,136	410
— Share-base payment (Note 26)	2,224	–
— Gain of disposal of available-for-sale financial assets (Note 24)	(315,536)	–
— Fair value gains on financial assets at fair value through profit or loss (Note 24)	(45)	(350)
— Provision of impairment loss on inventories	33,000	–
— Provision of impairment loss on trade receivables	291	–
— Provision of impairment loss on intangible assets	10,983	–
— Write off of trade receivables	–	6
— Write-off of non-current prepayment	4,893	–
— Share of loss of associates (Note 10)	7,965	2,127
— Dividend income	–	(61)
Operating (loss)/profit before working capital changes	(27,272)	41,461
Changes in working capital:		
— Inventories	(7,377)	14,174
— Trade receivables	48,946	(47,977)
— Prepayments, deposits and other receivables	1,230	24,847
— Trade and bills payables	(25,215)	(4,617)
— Accruals and other payables	(24,816)	10,644
Cash (used in)/generated from operations	(34,504)	38,532

32 CASH (USED IN)/GENERATED FROM OPERATIONS *(continued)*

In the consolidated statement of cash flows proceeds from disposal of property, plant and equipment and intangible assets comprise:

	2013 HK$'000	2012 HK$'000
Net book amount of property, plant and equipment (Note 6)	**1,275**	435
Loss on disposal of property, plant and equipment and intangible assets	**(1,136)**	(410)
Proceeds from disposal of property, plant and equipment and intangible assets	**139**	25

33 OPERATING LEASE COMMITMENTS

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The lease expenditure expensed in the consolidated statement of comprehensive income during the year is disclosed in Note 25 to the consolidated financial statements.

The future aggregate minimum lease payments under non-cancellable operating leases of the Group were as follows:

	2013 HK$'000	2012 HK$'000
Not later than one year	**6,172**	7,253
Later than one year and not later than five years	**3,479**	1,549
	9,651	8,802

The Company has no operating lease commitment as at 31 December 2013 (2012: Nil).

34 CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment of the Group were as follows:

	2013 HK$'000	2012 HK$'000
Not later than one year	**2,158**	2,972

The Company has no capital commitment as at 31 December 2013 (2012: Nil).

35 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) The Group has entered into a three-year residential premises lease agreement with Mr. Wong Kwok Fong which has taken effect since the listing of the Company on 15 December 2010, pursuant to which Heshan World Fair Electronics Technology Limited agreed to lease from Mr. Wong's residential premises in Jiangmen, China, at an annual rental of HK$1,200,000 as residences for the Group's senior management (2012: HK$1,200,000) ("Existing Lease Agreement"). As the Existing Lease Agreement was expired on 15 December 2013, a new lease agreement was entered to renew the Existing Lease Agreement for a term of three years commencing from 15 December 2013 at an annual rental of RMB1,200,000.

(b) Key management compensation

	2013 HK$'000	2012 HK$'000
Directors' fees	**2,106**	1,740
Basic salaries, housing allowances, other allowances and benefits in kind	**15,231**	7,426
Contributions to pension plans	**52**	40
Share-based compensations	**2,131**	–
	19,520	9,206

(c) During the year, Mr. Wong Kwok Fong provided certain premises to the Group's employees as staff quarters at no charge (2012: Same).

(d) Mr. Wong Kwok Fong and Ms. Ching Pui Yi (together, the "Controlling Shareholders") have agreed to fully indemnify the Group and hold the Group harmless for all costs and expenses in relation to the Group's failure to obtain the requisite licenses and permits and any demolish costs for certain properties of the Group.

36 BUSINESS COMBINATIONS

On 16 January 2012, the Group acquired 100% of the issued shares in Gallant Tech Limited. Gallant Tech Limited and its subsidiaries (the "Gallant Tech Group") are principally engaged in equipment supply and services in the printed circuit board assembly and semiconductor packaging market in Hong Kong and China. Total consideration amounts to approximately HK$80.2 million, which includes cash payment of HK$58.8 million, amount payable of HK$0.2 million and estimated contingent consideration of approximately HK$21.2 million. The acquisition is expected to increase the Group's production process and product quality and thus benefit the Group's business expansion in China. None of the goodwill recognised is expected to be deductible for income tax purposes.

The goodwill amounted to HK$43,722,000 and is attributable to a pre-existing, well positioned business operations and distribution network in a competitive market, acquired workforce and expected synergies and cost savings through vertical acquisition.

On 25 February 2013, the Group acquired from a third party 100% of the share capital of FingerQ Macao Commercial Offshore Limited, which was an inactive company based in Macau before acquisition.

36 BUSINESS COMBINATIONS *(continued)*

The following table summarises the consideration paid for the acquisition of Gallant Tech Limited during the year ended 31 December 2012, and fair value of assets acquired and liabilities assumed recognised at the acquisition date.

	HK$'000
Purchase consideration	
— Cash paid	58,760
— Amount payable	233
— Contingent consideration	21,243
Total purchase consideration	80,236

(a) Contingent consideration

The contingent consideration arrangement requires the Group to pay the former owners of Gallent Tech Group up to a maximum undiscounted amount of approximately HK$27,300,000 based on the net profit of Gallent Tech Group for the years ended 31 December 2012, 31 December 2013 and 31 December 2014.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between HK$0 and HK$27,300,000. The fair value of the contingent consideration arrangement of HK$21,243,000 was estimated by the income approach after discounting the probability weighted earn-out ratio. The fair value estimates are based on a discount rate of 7% and assumed probability-adjusted net profit in Gallent Tech Group of ranging from HK$5,500,000 to HK$11,900,000 for the years ending 31 December 2012, 31 December 2013 and 31 December 2014.

During 2013, settlement of HK$8,148,000 (2012: Nil) was made to the former owner of Gallent Tech Group based on the net profit of Gallent Tech Group for the year ended 31 December 2012. In addition, an accretion of interest of HK$1,333,000 (2012: HK$1,426,000) at an effective interest rate and change of assumed probability-adjusted net profit of Gallant Tech Group for the year ended 31 December 2013 of HK$640,000 (2012: HK$455,000) have been recognised in profit or loss for the contingent consideration arrangement.

37 SHARE-BASED PAYMENTS

Share options are granted to executive and independent non-executive directors, certain members of the senior management and employees of the Company on 17 June 2013 (the "Date of Grant"). The exercise price of the granted options is HK$0.42. Options are granted unconditionally and vested immediately on the Date of Grant. The options are exercisable starting immediately from the date of grant. The Group has no legal or constructive obligation to repurchase or settle options in cash.

37 SHARE-BASED PAYMENTS *(continued)*

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

	2013	
	Exercise price in HK$ per share option	Options (thousands)
At 1 January	–	–
Granted	0.42	12,020
At 31 December	0.42	12,020

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Exercise price in HK$ per share option	Options (thousands)	
		2013	2012
Expiry date			
16 June 2023	0.420	12,020	–

All outstanding options were exercisable upon the date of grant. No option was exercised during the year ended 31 December 2013.

The fair value of options granted during the year determined using Binomial-Model was HK$0.19 per option. The significant inputs into the model was share price of HK$0.41 at the Date of Grant, exercise price shown above, volatility of 65%, dividend yield of 2%, an expected option life of ten years and an annual risk-free interest rate of 1.59%. The volatility is assumed based on the daily share price volatility of the Company and comparable companies for a historical observation period equal to the life of the options. Since the Company has a trading history shorter than the life of the options, volatility was calculated with reference to comparable companies listed in Hong Kong and in the same industry as the Company.

The total expense of HK$2,224,000 was recognised in the consolidated statement of comprehensive income for share options granted to directors, certain members of the senior management and employees of the Company.

38 SUBSEQUENT EVENTS

On 13 March 2014, the Group disposed of certain shares representing 0.71% of the equity interest of Synaptics Inc ("Synaptics"), which is a company incorporated in the USA and is listed on NASDAQ, with the gain of approximately HK$20,928,000.