KITH HOLDINGS LIMITED

(PROVISIONAL LIQUIDATORS APPOINTED)

僑威集團有限公司*

(已委任臨時清盤人)

(Incorporated in Bermuda with limited liability)

(Stock code: 1201)

ANNUAL RESULTS ANNOUNCEMENT FOR 2013

The Board of Directors (the "Board") of Kith Holdings Limited (Provisional Liquidators Appointed) (the "Company" and together with its subsidiaries, the "Group") is pleased to announce the audited results of the Group for the year ended 31 December 2013, together with the comparative figures for the corresponding period in 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR 31 DECEMBER 2013

	Notes	**2013** ***HK$'000***	2012 *HK$'000* (Restated)
Continuing operation			
Revenue	*4*	**737,281**	761,625
Cost of sales		**(502,166)**	(527,074)
Gross profit		**235,115**	234,551
Other income	*5*	**13,506**	6,489
Distribution and selling expenses		**(3,528)**	(4,740)
Administrative expenses		**(154,969)**	(125,559)
Profit from operation		**90,124**	110,741
Impairment loss on various assets	*10*	**(34,184)**	(3,301)
Fair value loss on held-for-trading investments		**(351)**	(383)
Fair value gain on other financial assets		**–**	2,387
Impairment loss on available-for-sale investments		**(2,635)**	(440)
Share of loss of an associate		**(364)**	(6,714)
Loss on disposal of an associate	*13*	**(44,413)**	–

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Profit from operation		**8,177**	102,290
Finance costs	*7*	**(20,524)**	(10,337)
(Loss)/profit before tax		**(12,347)**	91,953
Income tax	*8*	**(19,987)**	(32,192)
(Loss)/profit for the year from continuing operation		**(32,334)**	59,761
Discontinued operations			
(Loss)/profit for the year from discontinued operations	*9*	**(614,642)**	37,219
(Loss)/profit for the year	*10*	**(646,976)**	96,980
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**19,439**	8,512
Fair value changes on available-for-sale investments		**(1,718)**	1,718
		17,721	10,230
Items that will not be reclassified to profit or loss:			
Deficit arising on revaluation of property, plant and equipment		**(19,742)**	–
Deferred tax effect arising on revaluation of property, plant and equipment		**4,146**	–
Total other comprehensive income for the year, net of tax		**2,125**	10,230
Total comprehensive (loss)/income for the year		**(644,851)**	107,210

	Note	2013 HK$'000	2012 HK$'000 (Restated)
(Loss)/profit for the year attributable to:			
Owners of the Company			
From continuing operation		**(61,449)**	18,146
From discontinued operations		**(614,642)**	37,219
(Loss)/profit attributable to owners of the Company		**(676,091)**	55,365
Non-controlling interests			
From continuing operation		**29,115**	41,615
		(646,976)	96,980
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(676,809)**	62,112
Non-controlling interests		**31,958**	45,098
		(644,851)	107,210
(Loss)/earnings per share	*12*		
Basic and diluted (cents per share)			
From continuing operation		**(23.50)**	6.94
From discontinued operations		**(235.09)**	14.24
From continuing and discontinued operations		**(258.59)**	21.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**601,066**	590,230
Prepaid lease payments		**42,236**	17,431
Interest in an associate	*13*	**–**	55,701
Deposit paid for acquisition of properties under development		**–**	25,636
Deposits paid for acquisition of property, plant and equipment		**1,539**	37,141
Available-for-sale investments		**18,440**	22,461
Deferred tax assets		**–**	130
		663,281	748,730
Current assets			
Inventories		**136,498**	162,780
Trade and other receivables, deposits and prepayments	*14*	**258,417**	797,085
Current tax assets		**–**	277
Prepaid lease payments		**613**	613
Short-term loans receivable		**811**	51,533
Held-for-trading investments		**443**	796
Pledged bank deposit		**–**	1,009
Bank and cash balances		**56,758**	57,044
		453,540	1,071,137
Current liabilities			
Trade and other payables	*15*	**239,219**	199,006
Tax payables		**4,836**	13,153
Dividend payable to non-controlling shareholders		**42,076**	15,058
Borrowings	*16*	**517,292**	548,037
Obligations under finance leases		**16**	375
		803,439	775,629
Net current (liabilities)/assets		**(349,899)**	295,508
Total assets less current liabilities		**313,382**	1,044,238

	2013	2012
	HK$'000	*HK$'000*
Non-current liabilities		
Obligations under finance leases	**–**	16
Deferred tax liabilities	**42,368**	47,503
	42,368	47,519
NET ASSETS	**271,014**	996,719
Capital and reserves		
Share capital	**26,145**	26,145
Reserves	**(78,848)**	597,731
Equity attributable to owners of the Company	**(52,703)**	623,876
Non-controlling interests	**323,717**	372,843
TOTAL EQUITY	**271,014**	996,719

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR 31 DECEMBER 2013

1. GENERAL INFORMATION

Kith Holdings Limited (Provisional Liquidators Appointed) (the“ Company”) was incorporated in the Bermuda as an exempted company with limited liability. The address of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 35/F, One Pacific Place, 88 Queensway, Hong Kong respectively. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the trading in shares of the Company has been suspended since 18 December 2013.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively “the Group”) were principally engaged in (i) printing and manufacturing of packaging products (the “Packaging Printing Business”) and (ii) distribution of television business-related products and distribution of other electronic and related products (the “Distribution Business”).

2. BASIS OF PREPARATION

Winding-up petition and appointment of Provisional Liquidators

China CITIC Bank International Limited (formerly known as CITIC Bank International Limited) served on the Company (i) a petition at the High Court of Hong Kong (the “Hong Kong Court”) for an order, amongst other things, to wind up the Company (the “Hong Kong Petition”) on 14 January 2014; and (ii) a petition at the Supreme Court of Bermuda (the “Bermuda Court”) for an order, amongst other things, to wind up (the “Bermuda Petition”) and to appoint a provisional liquidator against the Company on 15 January 2014.

On 27 January 2014, Messrs Lai Kar Yan (Derek), Darach E. Haughey and Ho Kwok Leung, Glen have been appointed jointly and severally as provisional liquidators of the Company pursuant to an order made by the Bermuda Court (the “JPLs”). The hearing of the Bermuda Petition has been adjourned to 8 August 2014 (Bermuda time) and further adjourned to 20 February 2015 (Bermuda time).

On 5 March 2014, Messrs. Lai Kar Yan (Derek), Darach E. Haughey, Ho Kwok Leung, Glen and Yeung Lui Ming (Edmund) have been appointed jointly and severally as provisional liquidators of the Company pursuant to an order made by the Hong Kong Court (the “HKPLs”) (the JPLs and HKPLs shall be collectively referred as the “Provisional Liquidators”). On 19 March 2014, the Hong Kong Court ordered, among other things, that the hearing of the Hong Kong Petition be adjourned to 20 August 2014. The Hong Kong Petition was subsequently adjourned to 4 March 2015.

Suspension of trading in the shares of the Company

The Company’s shares are listed on the Stock Exchange and the trading in shares of the Company has been suspended since 18 December 2013. By a letter dated 18 February 2014 issued by the Stock Exchange to the Provisional Liquidators, the Stock Exchange informed the Provisional Liquidators that the Stock Exchange has placed the Company in the first stage of the delisting procedures pursuant to Practice Note 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and that the Company was required to submit a viable resumption proposal by 17 August 2014 to address the following resumption conditions:

- Demonstrate the Company's compliance with Rule 13.24 of the Listing Rules;

- Publish all outstanding inside information, including the writ of summons issued in the Hong Kong Court against the Company for a repossession order of the Company's office; and

- Have the winding up petition against the Company being withdrawn or dismissed and the Provisional Liquidators being discharged.

and that the Company has demonstrated that it has a business of substance and the business model is viable and sustainable.

At the request of the listing division of the Stock Exchange, the Provisional Liquidators, on behalf of the Company, submitted a resumption proposal dated 4 August 2014 (the "Proposal").

Following their submission, the Provisional Liquidators and the Company received various queries and verbal comments from the Stock Exchange in relation to the Proposal and the Company's financial forecasts. The Provisional Liquidators and the Company responded to the queries and verbal comments from the Stock Exchange and included various information in support of the Company's application for resumption of trading in the shares of the Company.

By a letter dated 29 October 2014, the Stock Exchange informed the Provisional Liquidators that the Stock Exchange has decided to allow the Company to proceed with the Proposal and the subsequent submissions, subject to satisfying the following conditions by 31 March 2015:

1) Completion of the transactions under the Proposal;

2) Inclusion in an announcement or open offer prospectus:

    (a) a profit forecast for the two years ending 31 December 2015 and the period ending 30 June 2016 together with reports from the auditors and the financial adviser under Rules 14.62(2) and (3)

    (b) a pro forma balance sheet upon completion of the Proposal; and

    (c) a statement from the directors (including the proposed directors) confirming working capital sufficiency for at least 12 months from trading resumption and a comfort letter from the auditors on the directors' statement.

3) Withdrawal or dismissal of the winding up petition and discharge of the provisional liquidators; and

4) Publication of all outstanding financial results with any major audit qualifications properly addressed.

The Company should also comply with the Listing Rules. The Stock Exchange may modify the above resumption conditions if the Company's situation changes.

Proposed restructuring of the Group

After the Provisional Liquidators' appointment, the Provisional Liquidators formed the view that a restructuring of the Company, possibly with (some of) its subsidiaries, would likely result in better recovery for its creditors as compared to liquidation. The focus of any restructuring of the Group will be the settlement of its liabilities arising from the Distribution Business.

The Provisional Liquidators had therefore negotiated with various interested parties, including Double Key International Limited (the "Investor"), in relation to a restructuring of the Group ("the Restructuring").

On 28 April 2014, an exclusivity agreement was entered into between the Investor, the Company and the Provisional Liquidators of the Company pursuant to which the Company agrees to grant the Investor an exclusivity to negotiate and implement a restructuring of the indebtedness of the Group for a period commencing on the date of the exclusivity agreement and ending on the date falling 3 months after the date of the exclusivity agreement, unless extended by the parties in writing.

On 23 May 2014, the Investor had received valid acceptances in respect of 25,830,204 shares of the Company under the offer set out in the offer document dated 25 April 2014, representing approximately 9.88% of the existing issued share capital of the Company. With the acquisition of 131,000,000 shares (representing approximately 50.1% of the existing issued share capital of the Company) held by Accufit Investment Inc. on 18 December 2013, the Investor owns a total of approximately 59.98% of the ordinary shares of the Company.

On 16 June 2014, the Company, the Provisional Liquidators and the Investor entered into the restructuring deed to implement the restructuring of the indebtedness of the Group which contemplates, among others, (i) the scheme of arrangement of the Company and the scheme of arrangement of the Company's restructuring subsidiary, Ever Honest Industries Limited (the "Schemes") and (ii) the secured debt purchase (collectively the "Debt Restructuring"). The Investor shall make available an amount up to HK$485,600,000 for the implementation of the Debt Restructuring.

On 18 July 2014, the Court of First Instance of the Hong Kong Court sanctioned, among other things, the entering into the restructuring deed between the Company, the Provisional Liquidators and the Investor.

Winding-up of non-viable distribution subsidiaries

The Distribution Business came to a halt since May 2013. Both Kith Electronics Limited ("KEL") and Kith Resources Limited ("KRL"), wholly-owned subsidiaries of the Company, had ceased operation in May 2013 and cannot continue its business by reason of its liabilities. Accordingly, on 20 August 2014, at the respective shareholder's meeting, a special resolution was duly passed to wind up KEL and KRL respectively by way of a creditors' voluntary liquidation. At the respective creditors' meeting of KEL and KRL duly held on the same date, Messrs. Lai Kar Yan (Derek) and Mr. Darach E. Haughey were appointed as the joint and several liquidators of KEL and KRL.

Following the commencement of the winding-up, the financial results of KEL and KRL will be deconsolidated from those of the Group.

Debt restructuring by way of 2 creditors' scheme of arrangement

On 16 September 2014 and 18 September 2014, the Hong Kong Court and the Bermuda Court respectively directed that a meeting be convened for the creditors of the Company for the purpose of considering and, if thought fit, approving the scheme of arrangement proposed to be made between the Company and its creditors.

On 16 September 2014, the Hong Kong Court directed that a meeting be convened for the creditors of Ever Honest Industries Limited for the purpose of considering and, if thought fit, approving the scheme of arrangement proposed to be made between Ever Honest Industries Limited and its creditors.

At the respective meetings of the creditors of the Company and Ever Honest Industries Limited held on 7 November 2014, the resolutions to approve the Schemes were duly passed pursuant to Section 670, 671, 673 and 674 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and Section 99 of the Companies Act 1981 of Bermuda (where applicable).

On 11 December 2014, the scheme of arrangement between the Company and its creditors was sanctioned by the Bermuda Court. The hearing to sanction the Schemes by the Hong Kong Court shall be held on 27 January 2015.

Upon the completion of the Debt Restructuring, all the claims against, and liabilities of, the Company and Ever Honest Industries Limited will be assigned to a special purpose vehicle and such special purpose vehicle will be transferred to the Investor upon the completion of the Debt Restructuring.

Proposed open offer

The Company proposes to raise approximately HK$90,200,000, before expenses, by way of open offer of 130,726,800 shares at the subscription price of HK$0.69 per offer share on the basis of one offer share for every two existing shares held on the date for determining the entitlements to the open offer.

On 11 September 2014, the Company, the Investor and Select Investment Services Limited ("Select Investment") entered into an underwriting agreement where the Investor and Select Investment agreed to underwrite up to a certain number of the underwritten shares in relation to the proposed open offer.

On 30 December 2014, the Company has entered into a deed of termination with the Investor and Select Investment to terminate the underwriting agreement dated 11 September 2014. Pursuant to the deed of termination, the Company, the Investor and Select Investment irrevocably and unconditionally agreed that on and with effect from 30 December 2014, the underwriting agreement shall terminate and cease to have effect. Each party to the deed of termination releases and discharges the other party from all its obligations, duties and liabilities under the underwriting agreement and from all actions, proceedings, claims, demands, damages, costs and expenses arising from such obligations, duties and liabilities.

A new underwriting agreement was duly executed by the Company, the Investor and Guoyuan Securities Brokerage (Hong Kong) Limited ("Guoyuan") on the same day. Other than Select Investment was replaced by Guoyuan, all terms and conditions under the new underwriting agreement remain the same as the underwriting agreement dated 11 September 2014.

Going concern

The Group incurred a loss attributable to owners of the Company of approximately HK$676,091,000 for the year ended 31 December 2013 and as at 31 December 2013, the Group had net current liabilities of approximately HK$349,899,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the Debt Restructuring and the proposed open offer of the Company will be successfully completed, and that, following the completion of the Debt Restructuring and the proposed open offer, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and the open offer and to continue its business as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

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

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

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

4. REVENUE

The Group's revenue arising from printing and manufacturing of packaging products, distribution of television business-related products, distribution of other electronic and related products for the year. An analysis of the Group's revenue for the year is as follows:

	2013	2012
	HK$'000	*HK$'000*
Printing and manufacturing of packaging products	**737,281**	761,625
Distribution of other electronic and related products	**198,460**	1,180,690
Distribution of television business-related products	**46,105**	85,524
	981,846	2,027,839
Representing:		
Continuing operation	**737,281**	761,625
Discontinued operations *(note 9)*	**244,565**	1,266,214
	981,846	2,027,839

5. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Net exchange gains	**349**	–
Interest income	**423**	1,757
Government grants	**131**	–
Dividend income	**1,253**	–
Interest income on short-term loan receivable	**1,462**	1,181
Proceeds from disposal of scrap materials	**7,870**	2,130
Others	**4,202**	12,265
	15,690	17,333
Representing:		
Continuing operation	**13,506**	6,489
Discontinued operations (*note 9*)	**2,184**	10,844
	15,690	17,333

6. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. During the year ended 31 December 2013, the Group's revenue are derived from the segment of printing and manufacturing of packaging products, distribution of television business-related products, distribution of other electronic and related products.

Segment profits or losses do not include investment and other income, finance costs, and income tax expenses and other unallocated corporate income and expenses. Segment assets do not include interest in an associate, available-for-sale investments, held-for-trading investments, current and deferred tax assets, deposits paid for acquisition of properties under development and other unallocated corporate assets. Segment liabilities do not include borrowings, obligation under finance lease, current and deferred tax liabilities, and unallocated corporate liabilities. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about reportable segment profit or loss, assets and liabilities:

	Continuing operation	Discontinued operations		
	Printing and manufacturing of packaging products	Distribution of television business-related products	Distribution of other electronic and related products	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2013:				
Revenue from external customers	**737,281**	**46,105**	**198,460**	**981,846**
Segment profit/(loss)	**67,168**	**(602,034)**	**(12,608)**	**(547,474)**
Depreciation	**52,977**	**–**	**–**	**52,977**
Amortisation	**1,011**	**–**	**–**	**1,011**
Other material non-cash items:				
Impairment on deposit paid for acquisition of properties under development	**27,313**	**–**	**–**	**27,313**
Impairment on trade receivables	**5,399**	**592,449**	**–**	**597,848**
Impairment on inventories	**1,472**	**–**	**–**	**1,472**
Additions to segment non-current assets	**48,034**	**–**	**–**	**48,034**
At 31 December 2013:				
Segment assets	**1,093,427**	**7**	**–**	**1,093,434**
Segment liabilities	**186,399**	**43,799**	**38,939**	**269,137**
Year ended 31 December 2012:				
Revenue from external customers	761,625	85,524	1,180,690	2,027,839
Segment profit	136,773	7,666	20,958	165,397
Depreciation	52,174	459	–	52,633
Amortisation	613	–	–	613
Other material non-cash items:				
Impairment on property, plant and equipment	2,357	–	–	2,357
Impairment on trade receivables	44	2,955	14,300	17,299
Impairment on other receivables, deposits and prepayments	900	–	–	900
Additions to segment non-current assets	29,988	33	–	30,021
At 31 December 2012:				
Segment assets	1,129,248	27,060	545,695	1,702,003
Segment liabilities	147,833	30,435	31,365	209,633

Reconciliations of revenue, profit or loss from continuing operation:

	2013	2012
	HK$'000	*HK$'000*
Revenue:		
Total turnover of continuing operation	**737,281**	761,625
Profit or loss:		
Total profit of continuing operation	**67,168**	136,773
Corporate and unallocated profit or loss	**(58,991)**	(34,483)
Consolidated total profit from continuing operation	**8,177**	102,290

	2013	2012
	HK$'000	*HK$'000*
Reconciliations of reportable segments' assets and liabilities:		
Assets:		
Total assets of reportable segments	**1,093,434**	1,702,003
Corporate and unallocated assets:		
Interest in an associate	**–**	55,701
Available-for-sale investments	**18,440**	22,461
Deferred tax assets	**–**	130
Current tax assets	**–**	277
Held-for-trading investments	**443**	796
Deposits paid for acquisition of properties under development	**–**	25,636
Others	**4,504**	12,863
Consolidated total assets	**1,116,821**	1,819,867
Liabilities:		
Total liabilities of reportable segments	**269,137**	209,633
Corporate and unallocated liabilities:		
Borrowings	**517,292**	548,037
Tax payables	**4,836**	13,153
Deferred tax liabilities	**42,368**	47,503
Obligations under finance leases	**16**	391
Others	**12,158**	4,431
Consolidated total liabilities	**845,807**	823,148

Geographical information:

	2013	2012
	HK$'000	*HK$'000*
Revenue:		
People's Republic of China (the "PRC")	**737,281**	761,625

Information about revenue from the Group's two (2012: two) customers individually contributing over 10% of total revenue of the Group as follows:

	Notes	2013 HK$'000	2012 HK$'000
Customer A	*1*	**235,364**	240,015
Customer B	*2*	**–**	217,689
Customer C	*1*	**103,247**	–

Notes:

1 Attributable to the printing and manufacturing of packaging products.
2 Attributable to the distribution of other electronic and related products.

In presenting the geographical information, revenue is based on the locations of the customers. At the end of the reporting period, the non-current assets of the Group were located as follows:

	2013 HK$'000	2012 HK$'000
Non-current assets:		
Hong Kong	**1,529**	3,574
PRC	**643,312**	665,954
United States	**–**	910
	644,841	670,438

7. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest expenses on borrowings that are wholly repayable within five years:		
– Interest on bank loans	**18,792**	18,576
– Interest on other loans	**11,935**	6,649
– Finance leases charges	**27**	101
	30,754	25,326
Representing:		
Continuing operation	**20,524**	10,337
Discontinued operations *(note 9)*	**10,230**	14,989
	30,754	25,326

8. INCOME TAX

	2013	2012
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
– Provision for the year	**12**	3,534
– Over-provision in prior years	**–**	(36)
	12	3,498
Current tax – PRC Enterprise Income Tax		
– Provision for the year	**20,462**	24,339
– Over-provision in prior years	**–**	(663)
	20,462	23,676
Deferred tax	**(475)**	7,951
	19,999	35,125
Representing:		
Continuing operation	**19,987**	32,192
Discontinued operations *(note 9)*	**12**	2,933
	19,999	35,125

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

According to the EIT Law, the profits of the PRC subsidiaries of the Company derived since 1 January 2008 is 25%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

In accordance with Guo Shui Zhi Shui Han 1994 No.151 Yunnan Qiaotong Package Printing Company Limited ("Yunnan Qiaotong"), a PRC subsidiary of the Company is recognized as a high-tech enterprise and is qualified for the conditions of incentives in which the enterprise income tax is regularly reduced by half, Yunnan Qiaotong is subject to income tax at statutory tax rate of 25% with reduction by half.

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

	2013	2012
	HK$'000	*HK$'000*
(Loss)/profit before tax from continuing operation	**(12,347)**	91,953
Notional tax on (loss)/profit before tax calculated at the PRC statutory rate	**(3,087)**	22,988
Tax effect of non-taxable income	**(4,326)**	(15,398)
Tax effect of non-deductible expenses	**26,989**	31,098
Tax effect of utilisation of tax losses not previously recognised	**(1,564)**	2,383
Tax effect of tax exemptions	**803**	(11,571)
Tax effect of change in tax rate	**–**	5,946
Effect of different tax rates in other tax jurisdictions	**1,157**	(2,564)
Overprovision in respect of prior years	**–**	(699)
Deferred tax charge on dividend withholding tax	**15**	9
Income tax for the year (relating to continuing operation)	**19,987**	32,192

9. DISCONTINUED OPERATIONS

During the year, the Group had ceased its Distribution Business. As part of the restructuring of the Group as further detailed in note 2 to the consolidated financial statements, the Group has decided to discontinue its Distribution Business in order to reserve more resources to focus on the Group's core profitable Packaging Printing Business.

The results of the discontinued operations for the year, which have been included in consolidated profit or loss, are as follows:

	2013	2012
	HK$'000	*HK$'000*
Revenue	**244,565**	1,266,214
Cost of goods sold	**(239,471)**	(1,216,904)
Gross profit	**5,094**	49,310
Other income	**2,184**	10,844
Distribution and selling costs	**(3,046)**	(3,678)
Administrative expenses	**(16,183)**	(21,249)
(Loss)/profit from operations	**(11,951)**	35,227
Impairments loss on trade receivables	**(592,449)**	(17,255)
Gain recongnised on deemed disposal of interest in a subsidiary	**–**	37,169
(Loss)/profit before tax	**(604,400)**	55,141
Finance costs	**(10,230)**	(14,989)
(Loss)/profit before tax	**(614,630)**	40,152
Income tax	**(12)**	(2,933)
(Loss)/profit for the year from the discontinued operations	**(614,642)**	37,219

10. (LOSS)/PROFIT FOR THE YEAR

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

	2013 *HK$'000*	2012 *HK$'000*
Continuing operation:		
Auditor's remuneration	**1,400**	1,570
Cost of inventories sold	**502,166**	527,074
Depreciation	**55,106**	53,303
Amortisation	**1,011**	613
Minimum lease payments under operating leases in respect of		
Office premises	**517**	876
Impairments on various assets:		
Property, plant and equipment	**–**	2,357
Deposit paid for acquisition of properties under development	**27,313**	–
Trade receivables	**5,399**	44
Other receivables, deposits and prepayments	**–**	900
Inventories	**1,472**	–
	34,184	3,301
Staff costs:		
Salaries, bonus and allowances	**121,304**	122,623

	2013 *HK$'000*	2012 *HK$'000*
Discontinued operations:		
Auditor's remuneration	**30**	310
Cost of inventories sold	**239,471**	1,216,904
Depreciation	**–**	459
Impairment loss on trade receivables	**592,449**	17,255
Staff costs:		
Salaries, bonus and allowances	**2,317**	9,101

11. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2013 (2012: interim dividend HK1.8 cents per share).

12. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year of approximately HK$676,091,000 (2012: profit of approximately HK$55,365,000) attributable to owners of the Company and the weighted average number of 261,453,600 (2012: 261,453,600) ordinary shares in issue during the year.

Diluted earnings per share

No diluted loss per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both years.

(b) From continuing operation

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share from continuing operation attributable to owners of the Company is based on the loss for the year of approximately RMB61,449,000 (2012: profit of approximately HK$18,146,000) attributable to owners of the Company and the denominator used is the same as that detailed above for basic (loss)/earnings per share.

Diluted earnings per share

No diluted loss per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both years.

(c) From discontinued operations

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share from discontinued operations attributable to owners of the Company is based on the loss for the year of approximately HK$614,642,000 (2012: profit of approximately HK$37,219,000) attributable to owners of the Company and the denominator used is the same as that detailed above for basic (loss)/earnings per share.

Diluted earnings per share

No diluted loss per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both years.

13. INTEREST IN AN ASSOCIATE

	2013	2012
	HK$'000	*HK$'000*
Listed investment in Hong Kong		
Share of net assets	**–**	55,701

(a) On 16 April 2013, the Group disposed 99.9% of its interest in Megalogic Holdings and it ceased to be an associate of the Group since that date. The remaining 0.01% interest in Megalogic Holdings has been then accounted for as held-for-trading investments in the consolidated statement of financial position.

(b) The loss on disposal of the associate on 16 April 2013 is as follows:

	2013
	HK$'000
Net consideration received from disposal	10,924
Carrying amount of the interest in an associate disposed	(55,337)
Loss on disposal of an associate	(44,413)

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**834,523**	801,361
Less: impairment losses	**(623,497)**	(25,649)
	211,026	775,712
Bills receivables	**32,612**	–
Prepayment, deposits and other receivables	**14,779**	21,373
	258,417	797,085

Trade receivables

The Group allows an average credit period of 30 to 120 days to its trade customers. The following is an aging analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

	2013	2012
	HK$'000	*HK$'000*
0 to 60 days	**197,323**	578,407
61 to 90 days	**12,157**	52,572
Over 90 days	**1,546**	144,733
	211,026	775,712

Bills receivables

The following is an aging analysis of bills receivables:

	2013	2012
	HK$'000	*HK$'000*
0 to 60 days	**31,344**	–
61 to 90 days	**1,268**	–
	32,612	–

Impairment of trade receivables

The movement in impairment losses of trade receivable are as follows:

	2013	2012
	HK$'000	*HK$'000*
At beginning of the year	**25,649**	11,332
Impairment losses recognised	**597,848**	17,299
Amounts written off	**–**	(2,982)
At the end of the year	**623,497**	25,649

Included in the above provision for impairment of trade receivables are the provisions for individually impaired trade receivables of approximately HK$623,497,000 (2012: HK$25,649,000), which are due to long outstanding/or default of payment. The Group does not hold any collateral over these balances. Impaired amounts were directly written off against trade receivable when there was no expectation of recovering any amount.

Trade receivables that are not impaired

The aging analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**207,617**	697,702
Less than 60 days past due	**1,863**	18,414
61 – 90 days past due	**–**	6,218
Over 90 days past due	**1,546**	53,378
	211,026	775,712

Trade receivables that were not past due relate to a wide range of customers who has no recent history of default. The Group does not hold any collateral over these balances.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

At the end of reporting period, none (2012: approximately HK$8,654,000) of trade receivables were pledged to banks for banking facilities granted to the Group.

15. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**165,175**	138,573
Accruals and other payables	**74,044**	60,433
	239,219	199,006

An aging analysis of the trade payables at the end of the reporting period, based on invoice dates, is as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 60 days	**87,130**	82,370
61 to 90 days	**2,747**	7,397
Over 90 days	**75,298**	48,806
	165,175	138,573

16. BORROWINGS

	2013	2012
	HK$'000	*HK$'000*
Bank overdrafts	**9,083**	3,874
Bank loans	**119,950**	206,862
Factoring loans	**–**	5,760
Trust receipt loans	**310,795**	242,378
Other loans	**77,464**	89,163
	517,292	548,037
Analysed as:		
Secured	**87,097**	117,999
Unsecured	**430,195**	430,038
	517,292	548,037

The borrowings are repayable as follows (*note*):

On demand or within one year	**517,292**	509,361
In the second year	**–**	28,089
In the third to fifth years, inclusive	**–**	10,587
	517,292	548,037

Note: the amounts due were based on scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

All of the banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. In circumstances that the Group commits any default in settlement or commits any breaches of the covenants, notwithstanding any of the expiry dates has not been due, the respective bank has full discretion to exercise its overriding right of repayment on demand to call for cash cover on demand for prospective and contingent liabilities.

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Group's proposed restructuring in progress, and further details of which are stated in note 2 to the consolidated financial statements.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The Company's auditor has issued the disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 December 2013, an extract of which is as follows:

BASIS FOR DISCLAIMER OF OPINION

1. Opening inventories

We were initially appointed as auditor subsequent to the end of the reporting period of 31 December 2013. In consequence we were unable to attend the physical count of the Group's inventories as at 31 December 2013 and 2012. Due to the insufficiency of certain aged manual stock quantity movement record for two subsidiaries of the Company, there were no other satisfactory alternative audit procedures that we could adopt to satisfy ourselves as to the existence, quantities and conditions of those related inventories of approximately HK$4,680,000 for those two subsidiaries included in the Group's consolidated statement of financial position as at 31 December 2012.

2. Limited accounting books and records of discontinued operations

The consolidated financial statements have been prepared based on the accounting books and records maintained by the Group. However, due to the cessation of the Group's distribution of television business-related products and distribution of other electronic and related products during the year and the changes of management and directors subsequent to the end of the reporting period, the new Directors were unable to locate the complete set of accounting books and records in respect of certain of the Company's wholly-owned subsidiaries in relation to the Group's discontinued operations (collectively "these Subsidiaries") for the year ended 31 December 2013 and 2012.

Due to the insufficiency of supporting documentation and explanations, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the year ended 31 December 2013 and 2012 and the assets and liabilities as at that dates, and the related disclosure notes in relation to these Subsidiaries, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

	Year ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
Income and expenses		
Revenue	**244,565**	1,266,214
Cost of goods sold	**(239,471)**	(1,216,904)
Gross profit	**5,094**	49,310
Other income	**2,184**	10,844
Distribution and selling costs	**(3,046)**	(3,678)
Administrative expenses	**(16,183)**	(21,249)
Impairment loss on trade receivables	**(592,449)**	(17,255)
Finance costs	**(10,230)**	(14,989)
Gain recognised on deemed disposal of interest in a subsidiary	**–**	37,169
(Loss)/profit before tax	**(614,630)**	40,152
Income tax	**(12)**	(2,933)
	(614,642)	37,219

	As at 31 December	
	2013	2012
	HK$'000	*HK$'000*
Assets and liabilities		
Deferred tax assets	**–**	130
Inventories	**–**	8,928
Trade and other receivables, deposits and prepayments	**7**	560,358
Cash balances	**323**	323
Trade and other payables	**(83,022)**	(61,800)
Tax payables	**(1,575)**	(1,577)
	(84,267)	506,362

We were also unable to obtain sufficient reliable evidence to satisfy ourselves as to whether the Group has any significant contingent liabilities and commitments as at 31 December 2013 and 2012 in respect of these Subsidiaries that need to be adjusted for or disclosed in the consolidated financial statements.

Any adjustments that are found necessary in relation to matters as described in points 1 and 2 above might have a significant consequential effect on the Group's results and cash flows for the two years ended 31 December 2013 and 2012 and the financial positions of the Group as at 31 December 2013 and 2012, and the related disclosures thereof in the consolidated financial statements.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that the Investor has decided to pursue a restructuring of the Company.

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

DISCLAIMER OF OPINION

Because of the significance of the matters as described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

BUSINESS REVIEW

For the year ended 31 December 2013, the Group continued to engage in printing and manufacturing of packaging products in the PRC. In relation to the business segment of distribution of other electronic and related products of the Company, the banking facilities for this business segment had continued to squeeze from the beginning of year 2013, and was frozen entirely on April 2013. As the trading business of this business segment relied mainly on the bank trading facilities and opening of documentary credits for purchases, consequently the Group was unable to provide purchases by the existing customers since May 2013. This, in turn, caused the business of this segment to come to a halt.

RESULTS AND APPROPRIATIONS

Revenue

The turnover of the continuing operation was approximately HK$737.28 million (2012: approximately HK$761.63 million), representing a slight decrease of approximately 3.20%. The decrement was mainly due to various anti-smoking and anti-graft policies launched by the PRC government. This, in turn, affected the sales of tobacco and related products.

The turnover of the distribution of television business-related products and distribution of other electronic and related products decreased from HK$1,266.21 million to HK$244.57 million for the year due to suspension of the distribution of television business-related products and distribution of other electronic and related products since May 2013. The distribution of television business-related products and distribution of other electronic and related products are classified as discontinued business and the related financial information are disclosed in note 9.

Gross Profit

Gross profit of the Group increased from approximately HK$234.55 million to approximately HK$235.12 million in 2013 due to the effective cost control under the printing and manufacturing of packaging products.

Impairment loss on various assets

During the year, the management made reassessment on the Group's assets for the continuing operation. The Group made impairment loss on the deposit paid for acquisition of properties under development of approximately HK$27.31 million, trade receivables of approximately HK$5.40 million and inventories of approximately HK$1.47 million for the year ended 31 December 2013.

Loss on disposal of an associate

The loss on disposal of an associate amounted to approximately HK$44.41 million for the year ended 31 December 2013 (2012: nil). The loss related to disposal of 99.9% interest in Megalogic Technology Holdings Limited, a company with shares listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 31 December 2013 was approximately HK$56.76 million (2012: approximately HK$57.04 million).

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company.

RESTRUCTURING OF THE GROUP

Proposed restructuring of the Group

After the Provisional Liquidators' appointment, the Provisional Liquidators formed the view that a restructuring of the Company, possibly with (some of) its subsidiaries, would likely result in better recovery for its creditors as compared to liquidation. The focus of any restructuring of the Group will be the settlement of its liabilities arising from the Distribution Business.

The Provisional Liquidators had therefore negotiated with various interested parties, including Double Key International Limited (the "Investor"), in relation to a restructuring of the Group ("the Restructuring").

On 28 April 2014, an exclusivity agreement was entered into between the Investor, the Company and the Provisional Liquidators of the Company pursuant to which the Company agrees to grant the Investor an exclusivity to negotiate and implement a restructuring of the indebtedness of the Group for a period commencing on the date of the exclusivity agreement and ending on the date falling 3 months after the date of the exclusivity agreement, unless extended by the parties in writing.

On 23 May 2014, the Investor had received valid acceptances in respect of 25,830,204 shares of the Company under the offer set out in the offer document dated 25 April 2014, representing approximately 9.88% of the existing issued share capital of the Company. With the acquisition of 131,000,000 shares (representing approximately 50.1% of the existing issued share capital of the Company) held by Accufit Investment Inc. on 18 December 2013, the Investor owns a total of approximately 59.98% of the ordinary shares of the Company.

On 16 June 2014, the Company, the Provisional Liquidators and the Investor entered into the restructuring deed to implement the restructuring of the indebtedness of the Group which contemplates, among others, (i) the scheme of arrangement of the Company and the scheme of arrangement of the Company's restructuring subsidiary, Ever Honest Industries Limited (the "Schemes") and (ii) the secured debt purchase (collectively the "Debt Restructuring"). The Investor shall make available an amount up to HK$485,600,000 for the implementation of the Debt Restructuring.

On 18 July 2014, the Court of First Instance of the Hong Kong Court sanctioned, among other things, the entering into the restructuring deed between the Company, the Provisional Liquidators and the Investor.

Winding-up of non-viable distribution subsidiaries

The Distribution Business came to a halt since May 2013. Both Kith Electronics Limited ("KEL") and Kith Resources Limited ("KRL"), wholly-owned subsidiaries of the Company, had ceased operation in May 2013 and cannot continue its business by reason of its liabilities. Accordingly, on 20 August 2014, at the respective shareholder's meeting, a special resolution was duly passed to wind up KEL and KRL respectively by way of a creditors' voluntary liquidation. At the respective creditors' meeting of KEL and KRL duly held on the same date, Messrs. Lai Kar Yan (Derek) and Mr. Darach E. Haughey were appointed as the joint and several liquidators of KEL and KRL.

Following the commencement of the winding-up, the financial results of KEL and KRL will be deconsolidated from those of the Group.

Debt restructuring by way of 2 creditors' scheme of arrangement

On 16 September 2014 and 18 September 2014, the Hong Kong Court and the Bermuda Court respectively directed a that meeting be convened for the creditors of the Company for the purpose of considering and, if thought fit, approving the scheme of arrangement proposed to be made between the Company and its creditors.

On 16 September 2014, the Hong Kong Court directed that a meeting be convened for the creditors of Ever Honest Industries Limited for the purpose of considering and, if thought fit, approving the scheme of arrangement proposed to be made between Ever Honest Industries Limited and its creditors.

At the respective meetings of the creditors of the Company and Ever Honest Industries Limited held on 7 November 2014, the resolutions to approve the Schemes were duly passed pursuant to Section 670, 671, 673 and 674 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and Section 99 of the Companies Act 1981 of Bermuda (where applicable).

On 11 December 2014, the scheme of arrangement between the Company and its creditors was sanctioned by the Bermuda Court. The hearing to sanction the Schemes by the Hong Kong Court shall be held on 27 January 2015.

Upon the completion of the Debt Restructuring, all the claims against, and liabilities of, the Company and Ever Honest Industries Limited will be assigned to a special purpose vehicle and such special purpose vehicle will be transferred to the Investor upon the completion of the Debt Restructuring.

Proposed open offer

The Company proposes to raise approximately HK$90,200,000, before expenses, by way of open offer of 130,726,800 shares at the subscription price of HK$0.69 per offer share on the basis of one offer share for every two existing shares held on the date for determining the entitlements to the open offer.

On 11 September 2014, the Company, the Investor and Select Investment Services Limited ("Select Investment") entered into an underwriting agreement where the Investor and Select Investment agreed to underwrite up to a certain number of the underwritten shares in relation to the proposed open offer.

On 30 December 2014, the Company has entered into a deed of termination with the Investor and Select Investment to terminate the underwriting agreement dated 11 September 2014. Pursuant to the deed of termination, the Company, the Investor and Select Investment irrevocably and unconditionally agreed that on and with effect from 30 December 2014, the underwriting agreement shall terminate and cease to have effect. Each party to the deed of termination releases and discharges the other party from all its obligations, duties and liabilities under the underwriting agreement and from all actions, proceedings, claims, demands, damages, costs and expenses arising from such obligations, duties and liabilities.

A new underwriting agreement was duly executed by the Company, the Investor and Guoyuan Securities Brokerage (Hong Kong) Limited ("Guoyuan") on the same day. Other than Select Investment was replaced by Guoyuan, all terms and conditions under the new underwriting agreement remain the same as the underwriting agreement dated 11 September 2014.

PROSPECTS

The Company's shares are listed on the Stock Exchange and the trading in shares of the Company has been suspended since 18 December 2013. By a letter dated 18 February 2014 issued by the Stock Exchange to the Provisional Liquidators, the Stock Exchange informed the Provisional Liquidators that the Stock Exchange has placed the Company in the first stage of the delisting procedures pursuant to Practice Note 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and that the Company was required to submit a viable resumption proposal by 17 August 2014 to address the following resumption conditions:

- Demonstrate the Company's compliance with Rule 13.24 of the Listing Rules;
- Publish all outstanding inside information, including the writ of summons issued in the Hong Kong Court against the Company for a repossession order of the Company's office; and
- Have the winding up petition against the Company being withdrawn or dismissed and the Provisional Liquidators being discharged.

and that the Company has demonstrated that it has a business of substance and the business model is viable and sustainable.

At the request of the listing division of the Stock Exchange, the Provisional Liquidators, on behalf of the Company, submitted a resumption proposal dated 4 August 2014 (the "Proposal").

Following their submission, the Provisional Liquidators and the Company received various queries and verbal comments from the Stock Exchange in relation to the Proposal and the Company's financial forecasts. The Provisional Liquidators and the Company responded to the queries and verbal comments from the Stock Exchange and included various information in support of the Company's application for resumption of trading in the shares of the Company.

By a letter dated 29 October 2014, the Stock Exchange informed the Provisional Liquidators that the Stock Exchange has decided to allow the Company to proceed with the Proposal and the subsequent submissions, subject to satisfying the following conditions by 31 March 2015:

1) Completion of the transactions under the Proposal;

2) Inclusion in an announcement or open offer prospectus:

   (a) a profit forecast for the two years ending 31 December 2015 and the period ending 30 June 2016 together with reports from the auditors and the financial adviser under Rules 14.62(2) and (3)

   (b) a pro forma balance sheet upon completion of the Proposal; and

   (c) a statement from the directors (including the proposed directors) confirming working capital sufficiency for at least 12 months from trading resumption and a comfort letter from the auditors on the directors' statement.

3) Withdrawal or dismissal of the winding up petition and discharge of the provisional liquidators; and

4) Publication of all outstanding financial results with any major audit qualifications properly addressed.

The Company should also comply with the Listing Rules. The Stock Exchange may modify the above resumption conditions if the Company's situation changes.

EMPLOYMENT

As at 31 December 2013, the Group had approximately 1,000 employees (2012: approximately 1,000), most of whom were working in the Company's subsidiaries in the PRC. During the year under review, the total employees' costs including Directors' remuneration were approximately HK$121,304,000 (2012: HK$122,623,000). Salaries and wages are reviewed on an annual basis based on performance and other relevant factors.

REVIEW BY THE AUDIT COMMITTEE

By the time the financial statements for the year ended 31 December 2013 of the Group were prepared, no audit committee had been established in accordance with Rule 3.21 of the Listing Rules. Since the audit committee has yet to be established, the annual report for the financial year ended 31 December 2013 has not been reviewed by audit committee.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures above in respect of this annual results announcement for the year ended 31 December 2013 have been agreed with the Company's auditor, ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by ZHONGHUI ANDA in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA on this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). All existing directors confirmed that they have fully complied with the required standard set out in the Model Code. But the Board makes no representations as to whether the other than Directors had complied with the required standards set out in the Model Code throughout the year ended 31 December 2013.

On behalf of the Board
Kith Holdings Limited
(Provisional Liquidators appointed)
Zhang Xiaofeng
Director

Hong Kong, 9 January 2015

As at the date of this announcement, the board of Directors of the Company comprises Mr. Zhou Jin, Mr. Tao Fei Hu, Mr. Wang Feng Wu, Ms. Cheng Hung Mui, Mr. Zhang Xiaofeng, Mr. Liu Qingchang, Mr. Wei Ren and Mr. Liu Shihong as executive Directors, Mr. Gou Min and Ms. Connie Xiaohua Zhang as non-executive Directors, Mr. Ho Chun Chung, Patrick as independent non-executive Director.

* *For identification purpose only*