GRANDE

THE GRANDE HOLDINGS LIMITED

嘉域集團有限公司

(In Liquidation)

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 186)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

RESULTS

The Provisional Liquidators of The Grande Holdings Limited (In Liquidation) (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 together with the comparative figures for the year ended 31 December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	**2012** ***HK$ million***	2011 *HK$ million*
CONTINUING OPERATIONS			
REVENUE	*4*	**1,115**	1,484
Cost of sales		**(851)**	(1,188)
Gross profit		**264**	296
Other income		**6**	57
Gain on disposal of subsidiaries		**3**	6
Distribution costs		**(14)**	(24)
Administrative expenses		**(123)**	(134)
Allowance for doubtful debts		**(44)**	(16)
Impairment loss recognised in respect of interests in an associate	*10*	**(95)**	(2)
Impairment loss recognised in respect of available-for-sale investments	*11*	**(9)**	–
Impairment loss recognised in respect of brands and trademarks	*12*	**(327)**	(507)
Settlement of tax dispute	*16*	**(29)**	–
Other expenses		**(13)**	(10)
Finance costs	*7*	**(268)**	(99)
Share of results of an associate	*10*	**(3)**	1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2012

	Notes	**2012** ***HK$ million***	2011 *HK$ million*
LOSS BEFORE PROVISION FOR LEGAL CLAIMS, SETTLEMENT OF COURT PROCEEDINGS AND TAX		**(652)**	(432)
Provision for legal claims	*17*	**–**	(370)
Settlement of court proceedings	*18*	**–**	(288)
LOSS BEFORE TAX		**(652)**	(1,090)
Tax	*6*	**(40)**	(82)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	*7*	**(692)**	(1,172)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	*8*	**–**	(15)
Loss on deconsolidation of subsidiaries from discontinued operations		**–**	(110)
		–	(125)
LOSS FOR THE YEAR	*7*	**(692)**	(1,297)
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX:			
Exchange differences on translating foreign operations		**10**	(10)
Share of other comprehensive (loss)/income of an associate	*10*	**(2)**	1
Reclassification adjustments relating to disposal/deconsolidation of foreign operations		**2**	(11)
Reclassification adjustments relating to interests in an associate reclassified as available-for-sale investments		**1**	–
		11	(20)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	*7*	**(681)**	(1,317)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company:			
Loss for the year from continuing operations		**(672)**	(1,206)
Loss for the year from discontinued operations		**–**	(116)
		(672)	(1,322)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2012

	Notes	**2012** **HK$ million**	2011 HK$ million
Non-controlling interests:			
(Loss)/profit for the year from continuing operations		**(20)**	34
Loss for the year from discontinued operations	8	**–**	(9)
		(20)	25
		(692)	(1,297)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company:			
Loss for the year from continuing operations		**(676)**	(1,215)
Loss for the year from discontinued operations		**–**	(127)
		(676)	(1,342)
Non-controlling interests:			
(Loss)/profit for the year from continuing operations		**(5)**	34
Loss for the year from discontinued operations		**–**	(9)
		(5)	25
		(681)	(1,317)
LOSS PER SHARE	9	***HK$***	*HK$*
From continuing and discontinued operations –			
Basic		**(1.46)**	(2.87)
Diluted		**(1.46)**	(2.87)
From continuing operations –			
Basic		**(1.46)**	(2.62)
Diluted		**(1.46)**	(2.62)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	**2012** **HK$ million**	2011 HK$ million
NON-CURRENT ASSETS			
Property, plant and equipment		**3**	3
Investment properties		**1**	1
Interests in an associate	*10*	**–**	109
Available-for-sale investments	*11*	**–**	–
Deferred tax assets		**28**	24
Brands and trademarks	*12*	**771**	1,101
Other assets		**1**	3
Goodwill		**13**	13
		817	1,254
CURRENT ASSETS			
Inventories		**101**	147
Accounts and bills receivable	*13*	**61**	135
Amounts due from an associate		**–**	39
Prepayments, deposits and other receivables		**18**	30
Tax recoverable		**4**	4
Pledged deposits with banks		**1**	40
Cash and bank balances		**521**	345
		706	740
CURRENT LIABILITIES			
Bank overdraft		**2**	–
Accounts and bills payable	*14*	**31**	88
Amounts due to an associate		**–**	576
Obligations under finance leases		**1**	–
Accrued liabilities and other payables	*15*	**3,173**	2,416
Tax liabilities		**83**	46
		3,290	3,126
Provision for legal claims	*17*	**426**	370
		3,716	3,496

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2012

	Notes	**2012** **HK$ million**	2011 *HK$ million*
NET CURRENT LIABILITIES		**(3,010)**	(2,756)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(2,193)**	(1,502)
NON-CURRENT LIABILITIES			
Obligations under finance leases		**–**	1
Accrued liabilities and other payables	*15*	**–**	9
		–	10
NET LIABILITIES		**(2,193)**	(1,512)
CAPITAL AND RESERVES			
Share capital		**46**	46
Share premium		**1,173**	1,173
Reserves		**(3,837)**	(3,161)
DEFICIENCY OF EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		**(2,618)**	(1,942)
NON-CONTROLLING INTERESTS		**425**	430
TOTAL DEFICIENCY OF EQUITY		**(2,193)**	(1,512)

NOTES:

1. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for accounting periods beginning on or after 1 January 2012:

HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendment)	Disclosures: Transfers of financial assets
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets

The Group has assessed the impact of the adoption of the new HKFRSs above and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies.

The Group has not early applied the following new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2012, and is in the process of assessing their impact on future accounting periods:

HKFRS 1 (Amendment)	*(ii)*	Government loans
HKFRS 7 (Amendment)	*(ii)*	Disclosures: Offsetting financial assets and financial liabilities
HKFRS 9	*(vi)*	Financial instruments
Amendments to HKFRS 9 and HKFRS 7	*(vi)*	Mandatory effective date of HKFRS 9 and transition disclosures
HKFRS 10	*(ii)*	Consolidated financial statements
HKFRS 11	*(ii)*	Joint arrangements
HKFRS 12	*(ii)*	Disclosure of interests in other entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*(ii)*	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*(iii)*	Investment entities
HKFRS 13	*(ii)*	Fair value measurement

HKFRS 14	*(v)*	Regulatory deferral accounts
HKFRSs (Amendments)	*(ii)*	Improvements to HKFRSs 2009 – 2011 cycle
HKFRSs (Amendments)	*(iv)*	Improvements to HKFRSs 2010 – 2012 cycle
HKFRSs (Amendments)	*(iv)*	Improvements to HKFRSs 2011 – 2013 cycle
HKAS 1 (Amendment)	*(i)*	Presentation of items of other comprehensive income
HKAS 19 (2011)	*(ii)*	Employee benefits
HKAS 19 (Amendment)	*(iv)*	Defined benefit plans: Employees contributions
HKAS 27 (2011)	*(ii)*	Separate financial statements
HKAS 28 (2011)	*(ii)*	Investments in associates and joint ventures
HKAS 32 (Amendment)	*(iii)*	Presentation: Offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	*(iii)*	Recoverable amount disclosures for non-financial assets
HKAS 39 (Amendment)	*(iii)*	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – Int 20	*(ii)*	Stripping costs in the production phase of a surface mine
HK(IFRIC) – Int 21	*(iii)*	Levies

(i) Effective for annual periods beginning on or after 1 July 2012.

(ii) Effective for annual periods beginning on or after 1 January 2013.

(iii) Effective for annual periods beginning on or after 1 January 2014.

(iv) Effective for annual periods beginning on or after 1 July 2014.

(v) Effective for annual periods beginning on or after 1 January 2016.

(vi) Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

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

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

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

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

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

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

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

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

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

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

On 30 January 2013, The Provisional Liquidators announced that the exclusivity and escrow agreement dated 26 July 2011 has lapsed. The Provisional Liquidators and the Investor have discussed and agreed to submit a revised resumption proposal to the Stock Exchange prior to the expiry of the 2nd stage of the delisting.

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

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

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

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

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

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

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

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

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

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

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

3. GOING CONCERN BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012, the Group had net current liabilities of approximately HK$3,010 million (2011: HK$2,756 million) and net liabilities of approximately HK$2,193 million (2011: HK$1,512 million). Despite the significant deficiency of equity attributable to the shareholders of the Company, the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

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

4. REVENUE

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

Sansui Electric Co., Ltd. had ceased to be the Group's subsidiary since 1 October 2011 and its revenue for the 9-months period ended 30 September 2011 had been presented as discontinued operations.

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

	2012	2011
	HK$ million	*HK$ million*
By principal activity:		
Sales of goods	**979**	1,361
Licensing income	**136**	123
Attributable to continuing operations	**1,115**	1,484
Attributable to discontinued operations		
Sales of goods	**–**	1
	1,115	1,485

5. SEGMENT REPORTING

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

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

(a) Segment information

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

Sansui Electric Co., Ltd. had ceased to be the Group's subsidiary since 1 October 2011 and its revenue and results for the 9-months period ended 30 September 2011 had been presented as discontinued operations.

2011	Emerson *HK$ million*	Licensing *HK$ million*	Inter-segment elimination *HK$ million*	Un-allocated *HK$ million*	Continuing operations *HK$ million*	Discontinued operations *HK$ million*	Inter–segment elimination *HK$ million*	Consolidated *HK$ million*
Revenue:								
Sales of goods to external customers	1,351	10	–	–	1,361	1	–	1,362
Licensing income from external customers	53	70	–	–	123	–	–	123
Total	1,404	80	–	–	1,484	1	–	1,485
Results:								
Segment results	113	52	–		165	(15)		150
Unallocated corporate expenses				(28)	(28)			(28)
					137			122
Gain on disposal of property, plant and equipment	3	–		–	3	–		3
Gain on disposal of available-for-sale investments	6	–		–	6	–		6
Impairment loss recognised in respect of –								
Property, plant and equipment	–	(1)		–	(1)	–		(1)
Brands and trademarks	–	(507)		–	(507)	–		(507)
Interests in an associate	–	(2)		–	(2)	–		(2)
Loss on deconsolidation of discontinued operations				–	–	(110)		(110)
Gain on disposal of subsidiaries				6	6	–		6
Allowance for doubtful debts				(16)	(16)	–		(16)
Written back of accrued liabilities and other payables				27	27	–		27
Written back of provision for loss on financial derivatives				12	12	–		12
Provision for legal claims				(370)	(370)	–		(370)
Settlement of court proceedings				(288)	(288)	–		(288)
Interest income				1	1	–		1
Finance costs				(99)	(99)	–		(99)
Share of results of an associate				1	1	–		1
Tax				(82)	(82)	–		(82)
Loss for the year					(1,172)	(125)		(1,297)
Assets:								
Segment assets	1,221	3,312	(2,666)	127	1,994	–	–	1,994
Liabilities:								
Segment liabilities	709	3,511	(3,646)	2,932	3,506	–	–	3,506
Other information:								
Revenue from:								
– the first largest customer	696	–	–	–	696	–	–	696
– the second largest customer	511	–	–	–	511	–	–	511
Depreciation and amortisation	7	–	–	–	7	–	–	7
Capital expenditure	2	–	–	–	2	–	–	2

(b) Geographical information

	Revenue		Carrying amount of segment assets		Capital expenditure incurred during the year	
	2012	2011	**2012**	2011	**2012**	2011
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Asia	**64**	64	**216**	218	**–**	–
North America	**1,039**	1,413	**420**	548	**1**	2
Europe	**12**	7	**–**	–	**–**	–
Unallocated	**–**	–	**771**	1,101	**–**	–
	1,115	1,484	**1,407**	1,867	**1**	2

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011:16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	Continuing Operations		Discontinued Operations		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
The tax charge/(credit) comprises:						
Current year provision						
Hong Kong	**2**	(1)	**–**	–	**2**	(1)
Overseas	**9**	23	**–**	–	**9**	23
(Over)/under provision in prior year						
Hong Kong	**(2)**	1	**–**	–	**(2)**	1
Overseas	**35**	26	**–**	–	**35**	26
Deferred tax						
Overseas	**(4)**	33	**–**	–	**(4)**	33
	40	82	**–**	–	**40**	82

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

7. LOSS FOR THE YEAR

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

	Continuing Operations		**Discontinued Operations**		**Consolidated**	
	2012	2011	**2012**	2011	**2012**	2011
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Depreciation of owned property, plant and equipment	**1**	3	**–**	–	**1**	3
Operating lease rentals:						
Land and buildings	**10**	17	**–**	1	**10**	18
Property, plant and equipment	**–**	1	**–**	–	**–**	1
	10	18	**–**	1	**10**	19
Finance costs:						
Interest on debenture	**–**	5	**–**	–	**–**	5
Interest on amounts due to related companies	**–**	30	**–**	–	**–**	30
Others	**268**	64	**–**	–	**268**	64
	268	99	**–**	–	**268**	99
Auditors' remuneration:						
Current year	**7**	6	**–**	2	**7**	8
Under provision in prior year	**–**	1	**–**	–	**–**	1
	7	7	**–**	2	**7**	9
Staff costs:						
Salaries and other benefits	**57**	67	**–**	3	**57**	70
Retirement benefit costs	**5**	5	**–**	–	**5**	5
	62	72	**–**	3	**62**	75

	Continuing Operations		Discontinued Operations		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Cost of inventories recognised as expenses	**851**	1,188	**–**	1	**851**	1,189
Amortisation of other assets included in other expenses	**–**	4	**–**	–	**–**	4
Gain on disposal of property, plant and equipment	**(2)**	(3)	**–**	–	**(2)**	(3)
Gain on disposal of available-for-sale investments	**–**	(6)	**–**	–	**–**	(6)
Impairment loss recognised in respect of property, plant and equipment included in other expenses	**–**	1	**–**	–	**–**	1
Release of other comprehensive loss of an associate	**1**	–	**–**	–	**1**	–
Written back of accrued liabilities and other payables	**–**	(27)	**–**	–	**–**	(27)
Under/(written back of) provision for loss on financial derivatives	**4**	(12)	**–**	–	**4**	(12)
Net foreign exchange loss	**2**	–	**–**	–	**2**	–
Interest income	**(3)**	(1)	**–**	–	**(3)**	(1)

8. DISCONTINUED OPERATIONS

Sansui Electric Co., Ltd. had ceased to be the Group's subsidiary since 1 October 2011 and its revenue and results for the 9-months period ended 30 September 2011 had been presented as discontinued operations as follows:

The results of the discontinued operations for the year:

	2012	2011
	HK$ million	*HK$ million*
Revenue	**–**	1
Cost of sales	**–**	(1)
Gross profit	**–**	–
Administrative expenses	**–**	(15)
Loss before non-controlling interests	**–**	(15)
Non-controlling interests	**–**	9
	–	(6)

9. LOSS PER SHARE

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

	2012	2011
	HK$ million	*HK$ million*
Loss:		
Loss attributable to shareholders of the Company used in the basic loss per share calculation:		
From continuing operations	**(672)**	(1,206)
From discontinued operations	**–**	(116)
	(672)	(1,322)

	2012	2011
	Number of ordinary shares million	*Number of ordinary shares million*
Shares:		
Weighted average number of ordinary shares for the purposes of basic loss per share	460.2	460.2

Discontinued operations:

Basic loss per share for the discontinued operations is nil (2011: HK$0.25) per share, based on the loss from the discontinued operations and the weighted average numbers of ordinary shares presented above.

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

10. INTERESTS IN AN ASSOCIATE

	2012	2011
	HK$ million	*HK$ million*
Carrying value at 1 January	**109**	–
Cost of investment	**–**	109
Share of post-acquisition results and reserves	**(5)**	2
Impairment loss recognised during the year	**(95)**	(2)
Reclassified as available-for-sale investments *(note 11)*	**(9)**	–
Carrying value at 31 December	**–**	109
Listed investments outside Hong Kong, at market value	**–**	109

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

Name	Place of incorporation/ registration and operation	Percentage of equity attributable to the Group		Principal activities
		2012	2011	
Sansui Electric Co., Ltd. ("SEC")#	Japan	–	40%	Sale of audio, visual and other electronic products

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

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

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

On 27 December 2012, the Japan Court endorsed and approved the CRP and discharged the court supervisor. Despite the discharge of the court supervisor, SEC is still subject to certain terms and conditions under the CRP.

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

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

	2012	2011
	HK$ million	*HK$ million*
Total assets	**–**	575
Total liabilities	**–**	(47)
Net assets	**–**	528
Group's share of net assets of an associate	**–**	210
Revenue	**–**	–
(Loss)/profit	**(8)**	2
Group's share of results of an associate	**(3)**	1
Group's share of other comprehensive (loss)/income of an associate	**(2)**	1

11. AVAILABLE-FOR-SALE INVESTMENTS

	2012	2011
	HK$ million	*HK$ million*
Unlisted investments outside Hong Kong:		
Carrying value at 1 January	**–**	30
Interests in an associate reclassified as available-for-sale investments *(note 10)*	**9**	–
Impairment loss recognised during the year	**(9)**	–
Disposal	**–**	(30)
Carrying value at 31 December	**–**	–

12. BRANDS AND TRADEMARKS

	2012	2011
	HK$ million	*HK$ million*
Gross amount		
At 1 January	**1,329**	1,837
Foreign currency adjustment	**(3)**	(1)
Impairment loss recognised during the year	**(327)**	(507)
At 31 December	**999**	1,329
Accumulated amortisation at 31 December	**(228)**	(228)
Carrying amount at 31 December	**771**	1,101

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

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

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

The Group recorded a non-cash impairment charge of HK$507 million associated with the partial provisions of its Nakamichi and Akai trademarks, being the difference between their respective book values and fair values as at 31 December 2011 with reference to the valuation reports prepared by independent professional valuers appointed by the Provisional Liquidators.

The Group recorded a non-cash impairment charge of HK$10 million associated with the fully provision of its Olevia trademark as at 31 December 2012 upon completion of an analysis during the year which showed the absence of future expected cash flows, it is determined that the value of one of its non-strategic trademarks was fully impaired. Thus, an impairment charge of HK$10 million is recorded to write off this trademark.

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

13. ACCOUNTS AND BILLS RECEIVABLE

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

	2012	2011
	HK$ million	*HK$ million*
Gross amount	**129**	211
Less: allowance for doubtful debts	**(68)**	(76)
Net amount	**61**	135

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

14. ACCOUNTS AND BILLS PAYABLE

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

	2012	2011
	HK$ million	*HK$ million*
0 – 3 months	**22**	77
3 – 6 months	**4**	1
Over 6 months	**5**	10
	31	88

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

15. ACCRUED LIABILITIES AND OTHER PAYABLES

	2012		2011	
	Current	**Non-Current**	Current	Non-Current
	HK$ million	***HK$ million***	*HK$ million*	*HK$ million*
Accrued expenses and provisions	**114**	**–**	105	6
Amounts due to a former associate	**578**	**–**	–	–
Amounts due to former related companies	**2,149**	**–**	1,950	–
Other payables	**332**	**–**	361	3
	3,173	**–**	2,416	9

The amounts due to a former associate are secured, non-interest bearing and have no fixed terms of repayment.

Included in the amounts due to former related companies is an amount of HK$2,135 million (2011: HK$1,935 million), which is unsecured, bearing interest at 0.25% above the Hong Kong dollar prime rates per annum plus a default interest rate at 5% p.a. The remaining balance is unsecured, non-interest bearing and repayable on demand.

Included in the other payables are amounts in aggregate of HK$254 million (2011: HK$248 million) which have been overdue for payment since 2010. Such balances are secured by the Group's shareholding interest in its certain subsidiaries and available-for-sale investments, in which HK$85 million (2011: HK$82 million) is bearing interest at 5.599% p.a. and HK$45 million (2011: HK$45 million) is bearing interest at 14% p.a..

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

16. SETTLEMENT OF TAX DISPUTE

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

17. PROVISION FOR LEGAL CLAIMS

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

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

18. SETTLEMENT OF COURT PROCEEDINGS

On 3 October 2009, the Company and all other defendants of the court proceedings in HCCL No. 37 of 2005 and HCCL No. 40 of 2005 entered into a settlement agreement (the "Settlement Agreement") with the plaintiffs, whereby the Company, without admission of liability, took up an amount of HK$969 million plus interest as its maximum obligations payable to the plaintiffs within twelve months from the date of the Settlement Agreement. The entire settlement amount was accrued and expensed in 2009.

On 23 November 2010, an amendment agreement relating to the Settlement Agreement had been entered into with the plaintiffs under which the plaintiffs had agreed to extend the date of final payment of approximately HK$801 million inclusive of an extension fee of approximately HK$47 million by another four months to February 2011. The extension fee and the related expenses up to 31 December 2010 were accrued and expensed in 2010.

On 31 January 2011, the Company discharged its entire outstanding settlement obligations in respect of these court proceedings with the financial assistance from the Company's ultimate holding company. The related financing and administration costs in an aggregate amount of approximately HK$288 million for discharging the settlement obligations was accrued and expensed in 2011.

19. BANKING AND OTHER BORROWING FACILITIES

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

		2012	2011
		HK$ million	*HK$ million*
(a)	Legal charges over plant and machineries	**1**	1
(b)	Pledge of unlisted shares of a subsidiary	**19**	19
(c)	Pledge of listed shares of a subsidiary	**130**	122
(d)	Pledge of listed shares of an associate	**–**	109
(e)	Pledge of bank deposits	**1**	40
		151	291

20. EVENTS AFTER THE REPORTING PERIOD

On 30 January 2013, The Provisional Liquidators announced that the exclusivity and escrow agreement dated 26 July 2011 has lapsed. The Provisional Liquidators and the Investor have discussed and agreed to submit a revised resumption proposal to the Stock Exchange prior to the expiry of the 2nd stage of the delisting.

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

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

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

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

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

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

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

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

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

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

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

DIVIDENDS

The Provisional Liquidators do not recommend the payment of a final dividend for the year ended 31 December 2012.

BUSINESS REVIEW AND PROSPECTS

For the year ended 31 December 2012 (the "current year"), the revenue of the Group was HK$1,115 million as compared to HK$1,484 million for 2011 (the "corresponding year"). The Group recorded a net loss attributable to shareholders of HK$672 million for the current year, as compared to a loss of HK$1,322 million for the corresponding year.

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

(a) Emerson

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

Emerson's revenue for the current year was HK$1,034 million as compared to HK$1,404 million for the corresponding year. It recorded an operating profit of HK$91 million for the current year as compared to HK$113 million for the corresponding year. Emerson has also entered into distribution and license agreements with third party licensees that allow the licensees to sell various products bearing the Emerson trademarks into defined geographic areas.

(b) Licensing

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

The revenue of this segment was HK$81 million for the current year as compared to HK$80 million for the corresponding period. The operating profit for the current year was HK$56 million which comprised mainly the net licensing income received from the licensees, as compared to a profit of HK$52 million for the corresponding year.

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

CHARGES ON GROUP ASSETS

As at 31 December 2012, certain of the Group's assets with a total carrying value of approximately HK$151 million were pledged to secure banking and other borrowing facilities granted to the Group. Details are set out in note 19 to the consolidated financial statements.

CORPORATE GOVERNANCE

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

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

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

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

AUDITORS' OPINION

The auditors' opinion of the Group's consolidated financial statements for the year ended 31 December 2012 as set out below:

"BASIS FOR DISCLAIMER OF OPINION

1. Opening balances and corresponding figures

The consolidated financial statements of the Company for the year ended 31 December 2011 which form the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us, and were disclaimed by the predecessor auditors in their report dated 30 April 2012. In addition, for certain subsidiaries, the audited financial statements for the year ended 31 December 2011 have not been made available to us. There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of the opening balances and corresponding figures shown in the current year's consolidated financial statements.

2. Consolidation of principle subsidiaries

The financial statements of Emerson Radio Corp. and its subsidiaries ("Emerson Group") have been consolidated in the Group's consolidated financial statements as at and for the year ended 31 December 2012. Emerson Group is considered to be one of the significant components of the Group. Although the financial statements of Emerson Group have been reviewed by the component auditors, we have not received adequate reply from the component auditors in respect of their work done. Consequently, we were unable to obtain sufficient appropriate audit evidence in respect of the financial information of Emerson Group as set out below which has been included in the consolidated financial statements of the Group for the year ended 31 December 2012.

Included in the consolidated statement of comprehensive income:

	HK$million
Revenue	1,034
Cost of sales	850
Other income	2
Distribution costs	13
Administrative expenses	80
Impairment loss recognised in respect of brands and trademarks	10
Other expenses	1
Tax	7
Non-controlling interests – Profit for the year from continuing operations	33

Included in the consolidated statement of financial position:

	HK$million
Property, plant and equipment	2
Deferred tax assets	28
Brands and trademarks	466
Inventories	100
Accounts receivable	60
Prepayment, deposits and other receivables	9
Tax recoverable	3
Cash and bank balances	453
Accounts payable	26
Other payables and accruals	43
Tax liabilities	4

There were no other satisfactory audit procedures that we could adopt to ascertain whether the above transactions and balances were free from material misstatement. Accordingly, we were unable to satisfy ourselves as to the completeness and existence of any other significant transactions, intra-group transactions, contingent liabilities, commitments, related party transactions and subsequent events relating to Emerson Group.

3. Material uncertainty relating to the going concern basis

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

4. Amounts due to former related companies

We have not been able to obtain direct audit confirmations or other sufficient evidence in respect of certain amounts due to former related companies of the Company and of the Group for approximately HK$2,135 million and HK$2,149 million respectively. As a result, we were unable to satisfy ourselves that amounts due to former related companies of the Company and of the Group as disclosed in notes 42 and 29 to the consolidated financial statements respectively were fairly stated.

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

We have not been able to obtain direct audit confirmation or other sufficient evidence in respect of the amounts due to a former associate of the Group for approximately HK$578 million. As a result, we were unable to satisfy ourselves that amounts due to a former associate of the Group as disclosed in note 29 to the consolidated financial statements was fairly stated.

6. **Other payables**

We have not been able to obtain direct audit confirmations or other sufficient evidence in respect of certain other payables of the Company and of the Group for approximately HK$224 million and HK$332 million respectively. As a result, we were unable to satisfy ourselves that accrued liabilities and other payables of the Company and other payables of the Group as disclosed in notes 42 and 29 to the consolidated financial statements respectively were fairly stated.

7. **Related party transactions and balances**

We have not been provided with the details of the compensation to key management personnel to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions and balances as required by Hong Kong Accounting Standard 24 (Revised) "Related Party Disclosures".

8. **Directors' remuneration and employee costs**

We have not been able to obtain direct audit confirmations from all the directors of the Company or other sufficient audit evidence to satisfy ourselves as to whether the directors' remuneration and employee costs were free from material misstatement. Hence, we have not been able to determine whether the disclosures in respect of directors' remuneration and employee costs set out in note 11 to the consolidated financial statements were appropriate and in compliance with the disclosure requirements of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

9. **Accounts and bills payables**

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

10. **Tax payables**

We have not been provided with adequate information to ascertain certain tax payables of approximately HK$79 million as included in the tax liabilities of approximately HK$83 million in the consolidation statement of financial position.

11. **Lawyers' letters**

Due to the time constraint, we have not obtained replies from several lawyers of the Company concerning, among other things, the status of the legal cases of the Company and the Group. Accordingly, we are unable to determine whether adequate provision or proper disclosure of contingent liabilities had been made in the consolidated financial statements.

12. **Bank confirmations**

Due to the time constraint, we have not received replies from several bankers of the Company and the Group concerning, among other things, the existence of contingent liabilities or any pledge of assets as at the end of the reporting period. Accordingly, we are unable to determine whether proper disclosure of contingent liabilities or pledge of assets had been made in the consolidated financial statements.

Any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Company and the Group as at 31 December 2012 and 2011 and the financial performance and cash flows of the Group for the years then ended and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant subsequent events related to the Company and the Group.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 December 2011 were audited by previous auditors who expressed a disclaimer of opinion on those statements on 30 April 2012 as a result of uncertainties relating to going concern.

AUDIT COMMITTEE

Following the resignations of all of the Company's independent non-executive directors during the last financial year up to date of this report, there has been no replacement of members at the audit committee. No audit committee is therefore maintained as required by Rule 3.21 of the Listing Rules. As a result, the consolidated financial statements of the Group for the current year ended 31 December 2012 have not been reviewed by the audit committee.

For and on behalf of
The Grande Holdings Limited
(In Liquidation)
Fok Hei Yu
and
Roderick John Sutton
Joint and Several Provisional Liquidators
acting as agents without personal liability

Hong Kong, 30 June 2014

On the basis of the information available from the previous announcements made by the Company, the Board comprises Mr. Ho Wing On Christopher as the sole executive director.