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# AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2013

### RESULTS

The Board of Directors (the “Board”) of Automated Systems Holdings Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group” or “ASL”) for the year ended 31st December 2013 together with comparative figures for the year ended 31st December 2012 as follows:

### Consolidated Income Statement

|                                                                          |             | <b>Audited<br/>Year ended<br/>31st December</b> |                          |
|--------------------------------------------------------------------------|-------------|-------------------------------------------------|--------------------------|
|                                                                          | <i>Note</i> | <b>2013<br/>HK\$'000</b>                        | <b>2012<br/>HK\$'000</b> |
| <b>Revenue</b>                                                           | 3           | <b>1,612,958</b>                                | 1,673,279                |
| Cost of goods sold                                                       |             | <b>(811,281)</b>                                | (811,551)                |
| Cost of services rendered                                                |             | <b>(651,179)</b>                                | (659,417)                |
| Other income                                                             | 4           | <b>6,351</b>                                    | 2,496                    |
| Other (loss)/gain, net                                                   | 5           | <b>(2,084)</b>                                  | 2,809                    |
| Fair value gain on revaluation of investment properties                  |             | <b>6,600</b>                                    | 7,700                    |
| Selling expenses                                                         |             | <b>(71,160)</b>                                 | (94,064)                 |
| Administrative expenses                                                  |             | <b>(66,956)</b>                                 | (75,300)                 |
| Finance income                                                           | 6           | <b>1,415</b>                                    | 1,545                    |
| Finance costs                                                            |             | <b>(1,633)</b>                                  | (282)                    |
| Share of results of associates                                           |             | <b>563</b>                                      | 486                      |
| <b>Profit before income tax</b>                                          | 7           | <b>23,594</b>                                   | 47,701                   |
| Income tax expense                                                       | 8           | <b>(6,314)</b>                                  | (6,507)                  |
| <b>Profit for the year attributable to equity holders of the Company</b> |             | <b>17,280</b>                                   | 41,194                   |
| <b>DIVIDENDS</b>                                                         | 9           |                                                 |                          |
| Interim dividend                                                         |             | -                                               | -                        |
| Final dividend                                                           |             | -                                               | 17,127                   |

## Consolidated Income Statement (Cont'd)

|                                                                  | <i>Note</i> | Audited<br>Year ended<br>31st December |                         |
|------------------------------------------------------------------|-------------|----------------------------------------|-------------------------|
|                                                                  |             | 2013<br><i>HK cents</i>                | 2012<br><i>HK cents</i> |
| Earnings per share attributable to equity holders of the Company | 10          |                                        |                         |
| Basic and diluted earnings per share                             |             | <u>5.55</u>                            | <u>13.23</u>            |

## Consolidated Statement of Comprehensive Income

|                                                                                       | Audited<br>Year ended<br>31st December |                         |
|---------------------------------------------------------------------------------------|----------------------------------------|-------------------------|
|                                                                                       | 2013<br><i>HK\$'000</i>                | 2012<br><i>HK\$'000</i> |
| Profit for the year                                                                   | 17,280                                 | 41,194                  |
| Other comprehensive income/(loss):                                                    |                                        |                         |
| <i>Items that will not be reclassified subsequently to profit or loss:</i>            |                                        |                         |
| Revaluation surplus of leasehold land and buildings                                   | 40,004                                 | 44,223                  |
| Deferred taxation arising from revaluation surplus of leasehold land and buildings    | (6,600)                                | (7,297)                 |
| <i>Items that may be reclassified subsequently to profit or loss:</i>                 |                                        |                         |
| Exchange differences on translation of overseas operations                            | <u>(2,201)</u>                         | <u>3,307</u>            |
| Total comprehensive income for the year attributable to equity holders of the Company | <u>48,483</u>                          | <u>81,427</u>           |

# Consolidated Balance Sheet

|                                                             |             | <b>Audited</b>                 |                                |
|-------------------------------------------------------------|-------------|--------------------------------|--------------------------------|
|                                                             |             | <b>31st December</b>           |                                |
|                                                             | <i>Note</i> | <b>2013</b><br><i>HK\$'000</i> | <b>2012</b><br><i>HK\$'000</i> |
| <b>NON-CURRENT ASSETS</b>                                   |             |                                |                                |
| Property, plant and equipment                               | 11          | 236,823                        | 211,754                        |
| Investment properties                                       | 12          | 43,000                         | 36,400                         |
| Intangible assets                                           |             | 5,906                          | 11,817                         |
| Goodwill                                                    |             | -                              | 36,247                         |
| Interests in associates                                     |             | 877                            | 804                            |
| Finance lease receivables                                   |             | 12,932                         | 21,487                         |
| Deferred income tax assets                                  |             | 320                            | 1,441                          |
|                                                             |             | <u>299,858</u>                 | <u>319,950</u>                 |
| <b>CURRENT ASSETS</b>                                       |             |                                |                                |
| Inventories                                                 |             | 124,225                        | 102,756                        |
| Trade receivables                                           | 13          | 210,963                        | 237,471                        |
| Finance lease receivables                                   |             | 18,055                         | 18,802                         |
| Other receivables, deposits and prepayments                 | 14          | 16,999                         | 19,476                         |
| Amounts due from customers for contract work                |             | 241,928                        | 224,856                        |
| Tax recoverable                                             |             | 4,152                          | 243                            |
| Restricted bank deposits                                    | 15          | 48                             | 3,987                          |
| Cash and cash equivalents                                   | 15          | 114,661                        | 116,677                        |
|                                                             |             | <u>731,031</u>                 | <u>724,268</u>                 |
| Assets of disposal group classified as held for sale        | 16          | 84,201                         | -                              |
|                                                             |             | <u>815,232</u>                 | <u>724,268</u>                 |
| <b>TOTAL ASSETS</b>                                         |             | <u><b>1,115,090</b></u>        | <u><b>1,044,218</b></u>        |
| <b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b> |             |                                |                                |
| Share capital                                               |             | 31,140                         | 31,140                         |
| Share premium                                               |             | 104,947                        | 104,947                        |
| Reserves                                                    |             | 472,560                        | 437,915                        |
| <b>TOTAL EQUITY</b>                                         |             | <u><b>608,647</b></u>          | <u><b>574,002</b></u>          |
| <b>NON-CURRENT LIABILITIES</b>                              |             |                                |                                |
| Trade payables                                              | 17          | -                              | 854                            |
| Deferred income tax liabilities                             |             | 35,458                         | 30,324                         |
|                                                             |             | <u>35,458</u>                  | <u>31,178</u>                  |
| <b>CURRENT LIABILITIES</b>                                  |             |                                |                                |
| Trade payables                                              | 17          | 224,208                        | 230,924                        |
| Other payables and accruals                                 | 18          | 47,262                         | 66,046                         |
| Receipts in advance                                         |             | 115,356                        | 130,252                        |
| Current income tax liabilities                              |             | 2,972                          | 908                            |
| Other financial liabilities                                 |             | -                              | 8,239                          |
| Short-term borrowings                                       |             | 49,257                         | 2,669                          |
|                                                             |             | <u>439,055</u>                 | <u>439,038</u>                 |
| Liabilities of disposal group classified as held for sale   | 16          | 31,930                         | -                              |
|                                                             |             | <u>470,985</u>                 | <u>439,038</u>                 |
| <b>TOTAL LIABILITIES</b>                                    |             | <u><b>506,443</b></u>          | <u><b>470,216</b></u>          |
| <b>TOTAL EQUITY AND LIABILITIES</b>                         |             | <u><b>1,115,090</b></u>        | <u><b>1,044,218</b></u>        |
| <b>NET CURRENT ASSETS</b>                                   |             | <u><b>344,247</b></u>          | <u><b>285,230</b></u>          |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                |             | <u><b>644,105</b></u>          | <u><b>605,180</b></u>          |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost basis except that the leasehold land and buildings and investment properties are stated at fair value.

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

### 2. Significant Accounting Policies

Except as described below, the accounting policies applied as described in those consolidated financial statements are consistent with those of the financial statements for the year ended 31st December 2012.

- (a) The following new or amended standards are mandatory for the first time for the financial year beginning 1st January 2013 and currently relevant to the Group:

HKFRS 10, “Consolidated financial statements”, it replaces the requirements in HKAS 27, “Consolidated and separate financial statements relating to the preparation of consolidated financial statements” and HK-SIC 12 “Consolidation – Special purpose entities”. It builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1st January 2013.

HKFRS 12, “Disclosure of interests in other entities” includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. As a result of adoption of the HKFRS 12, the Group has provided additional disclosures related to its subsidiaries and associates.

HKFRS 13, “Fair value measurement” aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS. As a result of adoption of the HKFRS 13, the Group has provided the additional disclosures related to its leasehold land and buildings and investments properties measured at fair value.

HKAS 1 (Amendments), “Presentation of items of other comprehensive income” retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, HKAS 1 (Amendments) require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The Group has chosen to retain the existing presentation to present the profit or loss and other comprehensive income in two separate but consecutive statements, other comprehensive income in these financial statements has been modified accordingly.

- (b) The following amendments are mandatory for the first time for the financial year beginning 1st January 2013, but not currently relevant to the Group:

HKFRS 7 (Amendments), “Financial instruments: Disclosures – Offsetting financial assets and financial liabilities”. The amendments introduce new disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off under HKAS 32.

HKFRS 11, “Joint arrangements”, which replaces HKAS 31, “Interest in joint ventures”, divides joint arrangements into joint operations and joint ventures, it focuses on the rights and obligations of the arrangement rather than its legal form. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

HKAS 19 (Amendments), “Employee benefits”, improves the accounting for defined benefit plans. Under the revised standard, all changes in the present value of the defined benefit obligation and the fair value of plan assets will be recognised in the financial statements immediately in the period they occur. In addition, the revised standard requires the changes in the net defined benefit liability (asset) to be split and presented in the statement of comprehensive income as follows:

- service cost (including past service cost and settlements) in profits or loss;
- net interest on the net defined benefit liability (asset) in profit or loss; and
- re-measurement of the defined benefit liability (asset) in other comprehensive income.

The revised standard also includes more minor changes to definition of short-term employee benefits (in respect of the distinction between short-term and long-term), the definition of return on plan assets, the timing of recognition of termination benefits and various disclosure requirements.

HKAS 28 (2011), “Investments in associates and joint ventures” is substantially the same as HKAS 28 (2008) except for the following:

- includes expanded guidance on how to apply HKFRS 5, “Non-current assets held for sale and discontinued operations”, to an investment or a portion of an investment in an associate or a joint venture meets the criteria to be classified as held for sale; and
- modifies the accounting required when there are changes in interest which result in a change in the nature of the investment but equity method continues to be applied (i.e. an associate becomes a joint venture, or vice versa). In such cases, under HKAS 28 (2011), there is no re-measurement of the retained interest to fair value.

- (c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1st January 2013 and have not been early adopted.

|                                                    |                                                       |
|----------------------------------------------------|-------------------------------------------------------|
| HKFRS 9                                            | Financial instruments                                 |
| HKAS 32 (Amendments)                               | Offsetting financial assets and financial liabilities |
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments) | Investment entities                                   |

There are no other HKFRS or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

### 3. Revenue and Segment Information

Revenue represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, and revenue from service contracts, and is analysed as follows:

|                                | <b>Audited<br/>Year ended<br/>31st December</b> |                          |
|--------------------------------|-------------------------------------------------|--------------------------|
|                                | <b>2013<br/>HK\$'000</b>                        | <b>2012<br/>HK\$'000</b> |
| Sales of goods                 | <b>890,469</b>                                  | 905,002                  |
| Revenue from service contracts | <b>722,489</b>                                  | 768,277                  |
|                                | <b><u>1,612,958</u></b>                         | <b><u>1,673,279</u></b>  |

The chief operating decision maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess the performance and allocate resources. The Board has determined the operating segments based on the Group's internal reporting.

The Group is currently organised into two (2012: two) operating divisions – Information Technology Products (“IT Products”) and Information Technology Services (“IT Services”). These divisions are the basis on which the Group reports its primary segment information to the chief operating decision maker. The business nature of each segment is disclosed as follows:

#### IT Products

Being the business of information technology in supplying of information technology and associated products.

#### IT Services

Being the business of information technology in providing systems integration, software and consulting services, engineering support for products and solutions and managed services.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Performance is measured based on segment profit that is used by the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Income tax expense is not allocated to reportable segments.

The revenue, profit or loss, assets and liabilities of the Group are allocated based on the operations of the segments.

Reportable segment profit is profit before income tax, excluding unallocated other income, other gain or loss, net, share of results of associates, gain or loss on disposal of property, plant and equipment, unallocated depreciation for property, plant and equipment that are used for all segments, fair value gain on revaluation of investment properties, finance costs, and other corporate expenses (mainly include staff costs and other general administrative expenses) of the head office.

Reportable segment assets exclude interests in associates, deferred income tax assets, restricted bank deposits, cash and cash equivalents, unallocated corporate assets (mainly include property, plant and equipment, investment properties and part of intangible assets that are used by all segments, prepayments, deposits and tax recoverable) and assets of disposal group classified as held for sale.

Reportable segment liabilities exclude current income tax liabilities, deferred income tax liabilities, unallocated corporate liabilities (mainly include accrued charges of the head office and short-term borrowings) and liabilities of disposal group classified as held for sale.

(a) Segment information about these business is presented below:

**Audited**  
**Year ended 31st December 2013**

|                                            | <b>IT Products</b> | <b>IT Services</b> | <b>Total Group</b> |
|--------------------------------------------|--------------------|--------------------|--------------------|
|                                            | <b>HK\$'000</b>    | <b>HK\$'000</b>    | <b>HK\$'000</b>    |
| Revenue from external customers            | 890,469            | 722,489            | 1,612,958          |
| Intersegment revenue                       | 28,182             | 30,238             | 58,420             |
| Segment revenue                            | 918,651            | 752,727            | 1,671,378          |
| Reportable segment profit                  | 31,903             | 49,617             | 81,520             |
| Segment depreciation                       | 1,483              | 10,448             | 11,931             |
| Segment amortisation                       | -                  | 3,116              | 3,116              |
| Additions to property, plant and equipment | 235                | 3,267              | 3,502              |
| Additions to intangible assets             | -                  | 7,237              | 7,237              |

**Audited**  
**Year ended 31st December 2012**

|                                            | <b>IT Products</b> | <b>IT Services</b> | <b>Total Group</b> |
|--------------------------------------------|--------------------|--------------------|--------------------|
|                                            | <b>HK\$'000</b>    | <b>HK\$'000</b>    | <b>HK\$'000</b>    |
| Revenue from external customers            | 905,002            | 768,277            | 1,673,279          |
| Intersegment revenue                       | 16,252             | 32,822             | 49,074             |
| Segment revenue                            | 921,254            | 801,099            | 1,722,353          |
| Reportable segment profit                  | 38,368             | 71,460             | 109,828            |
| Segment depreciation                       | 1,623              | 10,834             | 12,457             |
| Segment amortisation                       | -                  | 2,559              | 2,559              |
| Additions to property, plant and equipment | 359                | 5,592              | 5,951              |
| Additions to intangible assets             | -                  | 3,245              | 3,245              |

The Group's assets and liabilities by operating segment for the year are presented below:

**Audited**  
**As at 31st December 2013**

|                                | <b>IT Products</b> | <b>IT Services</b> | <b>Total Group</b> |
|--------------------------------|--------------------|--------------------|--------------------|
|                                | <b>HK\$'000</b>    | <b>HK\$'000</b>    | <b>HK\$'000</b>    |
| Reportable segment assets      | 325,471            | 305,971            | 631,442            |
| Reportable segment liabilities | 214,365            | 134,999            | 349,364            |

**Audited**  
**As at 31st December 2012**

|                                |         |         |         |
|--------------------------------|---------|---------|---------|
| Reportable segment assets      | 294,450 | 379,590 | 674,040 |
| Reportable segment liabilities | 210,656 | 167,623 | 378,279 |

(b) Reconciliation of the reportable segment revenue, profit or loss, assets and liabilities

Reportable segment revenue, profit or loss, assets and liabilities are reconciled to results and total assets and total liabilities of the Group as follows:

**Revenue**

|                                           | <b>Audited</b>       |                  |
|-------------------------------------------|----------------------|------------------|
|                                           | <b>Year ended</b>    |                  |
|                                           | <b>31st December</b> |                  |
|                                           | <b>2013</b>          | <b>2012</b>      |
|                                           | <b>HK\$'000</b>      | <b>HK\$'000</b>  |
| Reportable segment revenue                | 1,671,378            | 1,722,353        |
| Elimination of intersegment revenue       | (58,420)             | (49,074)         |
| Revenue per consolidated income statement | <u>1,612,958</u>     | <u>1,673,279</u> |

Intersegment revenue is charged at cost plus a percentage of profit mark-up.

**Profit or loss**

|                                                                      | <b>Audited</b>       |                 |
|----------------------------------------------------------------------|----------------------|-----------------|
|                                                                      | <b>Year ended</b>    |                 |
|                                                                      | <b>31st December</b> |                 |
|                                                                      | <b>2013</b>          | <b>2012</b>     |
|                                                                      | <b>HK\$'000</b>      | <b>HK\$'000</b> |
| Reportable segment profit                                            | 81,520               | 109,828         |
| Unallocated amounts:                                                 |                      |                 |
| Unallocated other income                                             | 5,524                | 2,404           |
| Unallocated other (loss)/gain, net                                   | (2,017)              | 2,843           |
| Fair value gain on revaluation of investment properties              | 6,600                | 7,700           |
| Unallocated (loss)/gain on disposal of property, plant and equipment | (6)                  | 22              |
| Unallocated depreciation                                             | (5,398)              | (5,794)         |
| Share of results of associates                                       | 563                  | 486             |
| Finance costs                                                        | (1,633)              | (282)           |
| Unallocated corporate expenses                                       | (61,559)             | (69,506)        |
| Profit before income tax per consolidated income statement           | <u>23,594</u>        | <u>47,701</u>   |

**Assets**

|                                                      | <b>Audited</b>       |                  |
|------------------------------------------------------|----------------------|------------------|
|                                                      | <b>31st December</b> |                  |
|                                                      | <b>2013</b>          | <b>2012</b>      |
|                                                      | <b>HK\$'000</b>      | <b>HK\$'000</b>  |
| Reportable segment assets                            | 631,442              | 674,040          |
| Unallocated assets:                                  |                      |                  |
| Interests in associates                              | 877                  | 804              |
| Deferred income tax assets                           | 320                  | 1,441            |
| Unallocated restricted bank deposits                 | 48                   | 3,987            |
| Unallocated cash and cash equivalents                | 114,661              | 116,677          |
| Unallocated corporate assets                         | 283,541              | 247,269          |
| Assets of disposal group classified as held for sale | <u>84,201</u>        | <u>-</u>         |
| Total assets per consolidated balance sheet          | <u>1,115,090</u>     | <u>1,044,218</u> |

| Liabilities                                               | Audited       |          |
|-----------------------------------------------------------|---------------|----------|
|                                                           | 31st December |          |
|                                                           | 2013          | 2012     |
|                                                           | HK\$'000      | HK\$'000 |
| Reportable segment liabilities                            | 349,364       | 378,279  |
| Unallocated liabilities:                                  |               |          |
| Current income tax liabilities                            | 2,972         | 908      |
| Deferred income tax liabilities                           | 35,458        | 30,324   |
| Unallocated corporate liabilities                         | 86,719        | 60,705   |
|                                                           | 474,513       | 470,216  |
| Liabilities of disposal group classified as held for sale | 31,930        | -        |
| Total liabilities per consolidated balance sheet          | 506,443       | 470,216  |

The Group's businesses and segment assets are all located in the respective place of domicile of the relevant group entities which include Hong Kong, China, Macau, Singapore, Taiwan and Thailand.

| Place of domicile | Revenue from external customers |           |
|-------------------|---------------------------------|-----------|
|                   | Audited                         |           |
|                   | Year ended                      |           |
|                   | 31st December                   |           |
|                   | 2013                            | 2012      |
|                   | HK\$'000                        | HK\$'000  |
| Hong Kong         | 1,350,839                       | 1,410,798 |
| China             | 67,894                          | 30,876    |
| Macau             | 55,983                          | 53,210    |
| Singapore         | 49,645                          | 55,418    |
| Taiwan            | 52,619                          | 83,139    |
| Thailand          | 28,909                          | 36,412    |
| Others            | 7,069                           | 3,426     |
|                   | 1,612,958                       | 1,673,279 |

| Place of domicile | Specified non-current assets |          |
|-------------------|------------------------------|----------|
|                   | Audited                      |          |
|                   | 31st December                |          |
|                   | 2013                         | 2012     |
|                   | HK\$'000                     | HK\$'000 |
| Hong Kong         | 284,663                      | 246,646  |
| China             | 692                          | 864      |
| Macau             | 925                          | 905      |
| Singapore         | -                            | 47,852   |
| Taiwan            | 20                           | 172      |
| Thailand          | 306                          | 583      |
|                   | 286,606                      | 297,022  |

#### 4. Other Income

|                                          | Audited<br>Year ended<br>31st December |              |
|------------------------------------------|----------------------------------------|--------------|
|                                          | 2013                                   | 2012         |
|                                          | HK\$'000                               | HK\$'000     |
| Sundry income                            | 1,961                                  | -            |
| Interest on bank deposits                | 156                                    | 155          |
| Rental income from investment properties | 2,594                                  | 1,862        |
| Government grants                        | 827                                    | -            |
| Others                                   | 813                                    | 479          |
|                                          | <b>6,351</b>                           | <b>2,496</b> |

#### 5. Other (Loss)/Gain, Net

|                                                          | Audited<br>Year ended<br>31st December |              |
|----------------------------------------------------------|----------------------------------------|--------------|
|                                                          | 2013                                   | 2012         |
|                                                          | HK\$'000                               | HK\$'000     |
| Deferred consideration payable                           |                                        |              |
| - Fair value (loss)/gain                                 | (16)                                   | 3,124        |
| Exchange loss, net                                       | (2,218)                                | (380)        |
| Fair value gain on forward foreign exchange contract     | -                                      | 254          |
| Gain/(loss) on disposal of property, plant and equipment | 150                                    | (189)        |
|                                                          | <b>(2,084)</b>                         | <b>2,809</b> |

#### 6. Finance Income

Finance income represents accretion of discount recognised upon initial recognition of loans and receivables to their fair values (2012: same).

#### 7. Profit Before Income Tax

|                                                                         | Audited<br>Year ended<br>31st December |          |
|-------------------------------------------------------------------------|----------------------------------------|----------|
|                                                                         | 2013                                   | 2012     |
|                                                                         | HK\$'000                               | HK\$'000 |
| Profit before income tax is arrived at after charging/(crediting):      |                                        |          |
| Auditors' remuneration                                                  |                                        |          |
| Current year                                                            | 1,758                                  | 1,618    |
| Underprovision in respect of prior year                                 | 3                                      | 216      |
| Depreciation and amortisation                                           |                                        |          |
| Property, plant and equipment                                           | 17,329                                 | 18,251   |
| Intangible assets (included in cost of services rendered)               | 3,116                                  | 2,559    |
| (Gain)/loss on disposal of property, plant and equipment                | (150)                                  | 189      |
| Directors' remuneration                                                 | 10,734                                 | 18,078   |
| Employee benefit expenses (excluding directors' remuneration)           | 475,118                                | 536,266  |
| Interest on loan from the immediate holding company                     | 125                                    | -        |
| Interest on loan from a fellow subsidiary                               | 12                                     | -        |
| Interest on short-term bank borrowings wholly repayable within one year | 1,103                                  | 20       |
| Other interest expenses                                                 | 393                                    | 262      |
| Operating lease rentals in respect of:                                  |                                        |          |
| Office premises                                                         | 9,328                                  | 7,984    |
| Computer equipment                                                      | -                                      | 12       |
| Bad debt expenses                                                       | -                                      | 69       |
| Provision for impairment of trade receivables                           | 562                                    | 793      |
| Reversal of provision for impairment of trade receivables               | (175)                                  | (179)    |
| Provision/(reversal of provision) for obsolete inventories              | 303                                    | (314)    |

## 8. Income Tax Expense

|                                                   | Audited<br>Year ended<br>31st December |          |
|---------------------------------------------------|----------------------------------------|----------|
|                                                   | 2013                                   | 2012     |
|                                                   | HK\$'000                               | HK\$'000 |
| Current taxation:                                 |                                        |          |
| Hong Kong profits tax                             | 4,331                                  | 6,935    |
| Overseas taxation                                 | 984                                    | 696      |
| (Over)/under-provision in respect of prior years: |                                        |          |
| Hong Kong profits tax                             | (184)                                  | (223)    |
| Overseas taxation                                 | 615                                    | (13)     |
|                                                   | 5,746                                  | 7,395    |
| Deferred taxation:                                |                                        |          |
| Current year                                      | 568                                    | (888)    |
| Income tax expense                                | 6,314                                  | 6,507    |

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries and regions in which the Group operates.

## 9. Dividends

|                                                                                                                                                                | Audited<br>Year ended<br>31st December |          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------|
|                                                                                                                                                                | 2013                                   | 2012     |
|                                                                                                                                                                | HK\$'000                               | HK\$'000 |
| Dividends recognised as distribution during the year:                                                                                                          |                                        |          |
| Final dividend in respect of the year ended 31st December 2012 of<br>5.0 HK cents per share (2012: year ended 31st December 2011<br>of 5.5 HK cents per share) | 15,570                                 | 17,127   |
| Dividends proposed:                                                                                                                                            |                                        |          |
| Final dividend in respect of the year ended 31st December 2012 of<br>5.0 HK cents per share                                                                    | -                                      | 15,570   |

The Directors did not recommend the payment of a final dividend for the year ended 31st December 2013 (2012: 5.0 HK cents per share).

## 10. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

|                                                                                                       | Audited<br>Year ended<br>31st December          |          |
|-------------------------------------------------------------------------------------------------------|-------------------------------------------------|----------|
|                                                                                                       | 2013                                            | 2012     |
|                                                                                                       | HK\$'000                                        | HK\$'000 |
| Earnings for the purpose of basic and diluted earnings per share                                      | 17,280                                          | 41,194   |
|                                                                                                       | Number of shares<br>Year ended<br>31st December |          |
|                                                                                                       | 2013                                            | 2012     |
|                                                                                                       | '000                                            | '000     |
| Weighted average number of ordinary shares for<br>the purpose of basic and diluted earnings per share | 311,403                                         | 311,403  |

Diluted earnings per share for the years ended 31st December 2013 and 31st December 2012 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options would have an anti-dilutive effect to the basic earnings per share.

## 11. Property, Plant and Equipment

During the year ended 31st December 2013, the additions of property, plant and equipment, mainly for computers and office equipment, was approximately HK\$4,295,000 (2012: HK\$9,205,000).

During the year ended 31st December 2013, the Group disposed of certain property, plant and equipment at the carrying amount of HK\$274,000 (2012: HK\$398,000), resulting in a gain on disposal of HK\$150,000 (2012: loss of HK\$189,000).

The Group's leasehold land and buildings were stated at valuations made at 31st December 2013. The leasehold land and buildings were last revalued by DTZ Debenham Tie Leung Limited, an independent professional valuer, at 31st December 2013 at market value basis which is determined by reference to market evidence of recent transactions for similar properties. The revaluation gave rise to a revaluation surplus net of applicable deferred income taxes of HK\$33,404,000 (2012: HK\$36,926,000) which has been credited to the property revaluation reserve.

As at 31st December 2013, if the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost, less accumulated depreciation and amortisation of approximately HK\$48,365,000 (2012: HK\$50,431,000).

The Group's interest in leasehold land represents finance lease payments held in Hong Kong between 10 to 50 years.

As at 31st December 2013, the Group had pledged leasehold land and buildings with a carrying amount of HK\$224,400,000 (2012: HK\$189,900,000) to secure banking facilities granted to the Group.

## 12. Investment Properties

The investment properties of the Group were last revalued by DTZ Debenham Tie Leung Limited, an independent professional valuer at 31st December 2013, on the basis of market value (2012: same).

As at 31st December 2013, the Group had pledged investment properties with a carrying amount of HK\$43,000,000 (2012: HK\$36,400,000) to secure banking facilities granted to the Group.

## 13. Trade Receivables

The Group has granted credit to substantially all of its customers for 30 days and has credit control procedures to minimise credit risk. Overdue balances are reviewed regularly by senior management.

|                                | <b>Audited</b>       |                 |
|--------------------------------|----------------------|-----------------|
|                                | <b>31st December</b> |                 |
|                                | <b>2013</b>          | <b>2012</b>     |
|                                | <b>HK\$'000</b>      | <b>HK\$'000</b> |
| Trade receivables              | 211,761              | 238,264         |
| Less: provision for impairment | (798)                | (793)           |
|                                | <b>210,963</b>       | <b>237,471</b>  |

An ageing analysis of the gross trade receivables as at the balance sheet date, based on ageing from payment due date, is as follows:

|                | <b>Audited</b>       |                 |
|----------------|----------------------|-----------------|
|                | <b>31st December</b> |                 |
|                | <b>2013</b>          | <b>2012</b>     |
|                | <b>HK\$'000</b>      | <b>HK\$'000</b> |
| Current        | 133,836              | 138,026         |
| Within 30 days | 30,035               | 53,119          |
| 31 - 60 days   | 23,885               | 25,820          |
| 61 - 90 days   | 9,597                | 7,483           |
| Over 90 days   | 14,408               | 13,816          |
|                | <b>211,761</b>       | <b>238,264</b>  |

**14. Other Receivables, Deposits and Prepayments**

|                                               | <b>Audited</b>       |                 |
|-----------------------------------------------|----------------------|-----------------|
|                                               | <b>31st December</b> |                 |
|                                               | <b>2013</b>          | <b>2012</b>     |
|                                               | <b>HK\$'000</b>      | <b>HK\$'000</b> |
| Other receivables                             | 1,524                | 2,254           |
| Deposits                                      | 7,895                | 6,295           |
| Prepayments                                   | 7,551                | 9,706           |
| Amount due from the immediate holding company | 13                   | -               |
| Amount due from a fellow subsidiary           | -                    | 1,214           |
| Amount due from an associate                  | 16                   | 7               |
|                                               | <b>16,999</b>        | <b>19,476</b>   |

**15. Restricted Bank Deposits and Cash and Cash Equivalents**

|                           | <b>Audited</b>       |                 |
|---------------------------|----------------------|-----------------|
|                           | <b>31st December</b> |                 |
|                           | <b>2013</b>          | <b>2012</b>     |
|                           | <b>HK\$'000</b>      | <b>HK\$'000</b> |
| Cash at bank and on hand  | 114,661              | 113,566         |
| Short-term bank deposits  | -                    | 3,111           |
| Cash and cash equivalents | <b>114,661</b>       | <b>116,677</b>  |
| Restricted bank deposits  | <b>48</b>            | <b>3,987</b>    |

Restricted bank deposits represented fixed term deposits placed in commercial banks that were pledged against banking facilities and performance bonds granted to the Group.

Bank balances, short-term bank deposits and restricted bank deposits carry interest at market rates with average interest rates of 0.13%, n/a, and 0.63% (2012: 0.13%, 1.39%, and 0.83%) per annum respectively.

# 16. Assets Classified as Held for Sale

On 11th December 2013, i-Sprint Innovations Pte Ltd (“i-Sprint”), a wholly-owned subsidiary of the Company, signed a preliminary investment agreement term sheet with an independent third party setting out the key investment terms to be determined in respect of the subscription of new shares in i-Sprint (the “Subscription”). It is expected that the Subscription will highly probably be completed within one year. Upon completion of the Share Transfer as described in note 20 together with the Subscription, the Group’s shareholding in i-Sprint will be reduced to 48.22%, and the Group will cease its control in i-Sprint and its subsidiaries (collectively the “i-Sprint Group”). Accordingly, the assets and liabilities of the i-Sprint Group have been reclassified as assets and liabilities held for sale and presented separately in the consolidated balance sheet. The Group has not recognised any impairment losses in respect of the i-Sprint Group, neither when the assets and liabilities of i-Sprint were reclassified as held for sale nor as at the balance sheet date.

The major classes of assets and liabilities of the i-Sprint Group classified as held for sale as at the balance sheet date are as follows:

|                                                           | Audited<br>31st December<br>2013<br>HK\$’000 |
|-----------------------------------------------------------|----------------------------------------------|
| Property, plant and equipment                             | 1,575                                        |
| Intangible assets                                         | 9,675                                        |
| Goodwill                                                  | 35,000                                       |
| Inventories                                               | 173                                          |
| Trade receivables                                         | 12,668                                       |
| Other receivables, deposits and prepayments               | 3,960                                        |
| Amounts due from customers for contract work              | 9,653                                        |
| Cash and cash equivalents                                 | 11,497                                       |
| Assets of disposal group classified as held for sale      | <u>84,201</u>                                |
| Trade payables                                            | 3,038                                        |
| Deferred income tax liabilities                           | 892                                          |
| Other payables and accruals                               | 8,693                                        |
| Receipts in advance                                       | 9,347                                        |
| Current income tax liabilities                            | 454                                          |
| Short-term borrowings                                     | 9,506                                        |
| Liabilities of disposal group classified as held for sale | <u>31,930</u>                                |
| Net assets of disposal group classified as held for sale  | <u><u>52,271</u></u>                         |

# 17. Trade Payables

|                                             | Audited<br>31st December<br>2013<br>HK\$’000 | 2012<br>HK\$’000      |
|---------------------------------------------|----------------------------------------------|-----------------------|
| Trade payables                              | 224,208                                      | 231,778               |
| Less: non-current portion of trade payables | <u>-</u>                                     | <u>(854)</u>          |
| Current portion of trade payables           | <u><u>224,208</u></u>                        | <u><u>230,924</u></u> |

As at 31st December 2012, all non-current trade payables are due within five years from the balance sheet date.

An ageing analysis of the trade payables as at the balance sheet date, based on payment due date, is as follows:

|                | Audited<br>31st December<br>2013<br>HK\$’000 | 2012<br>HK\$’000      |
|----------------|----------------------------------------------|-----------------------|
| Current        | 145,817                                      | 142,399               |
| Within 30 days | 44,089                                       | 50,287                |
| 31 - 60 days   | 21,380                                       | 21,025                |
| 61 - 90 days   | 2,590                                        | 10,004                |
| Over 90 days   | 10,332                                       | 8,063                 |
|                | <u><u>224,208</u></u>                        | <u><u>231,778</u></u> |

## 18. Other Payables and Accruals

|                                             | <b>Audited</b>       |                 |
|---------------------------------------------|----------------------|-----------------|
|                                             | <b>31st December</b> |                 |
|                                             | <b>2013</b>          | <b>2012</b>     |
|                                             | <b>HK\$'000</b>      | <b>HK\$'000</b> |
| Other payables                              | 3,135                | 9,409           |
| Accruals                                    | 39,336               | 52,050          |
| Amount due to the ultimate holding company  | 239                  | 3,019           |
| Amount due to the immediate holding company | -                    | 441             |
| Amount due to a fellow subsidiary           | 2,712                | -               |
| Amount due to an associate                  | 1,840                | 1,127           |
|                                             | <b>47,262</b>        | <b>66,046</b>   |

## 19. Pledge of Assets

As at 31st December 2013, the Group's leasehold land and buildings of HK\$224,400,000 (2012: HK\$189,900,000) and investment properties of HK\$43,000,000 (2012: HK\$36,400,000) were pledged to secure the banking facilities of the Group.

As at 31st December 2013, the Group's restricted bank deposits of HK\$48,000 (2012: HK\$3,987,000) were pledged to secure the banking facilities and performance bonds of the Group.

## 20. Non-Adjusting Events After the Balance Sheet Date

On 28th January 2014, ASL Security Solutions Limited ("ASL Security"), i-Sprint, Top Realm Global Limited ("Top Realm") and Superguard Global Holdings Limited ("Superguard") entered into a deed of share gift and trust pursuant to which ASL Security, a wholly-owned subsidiary of the Company principally engaged in the investment holding, owned 100% equity interest in i-Sprint and transferred at nil consideration 9.44% and 7.90% of the then issued share capital of i-Sprint to Top Realm and Superguard for the purpose of new employee share ownership plans to be adopted by Top Realm and Superguard respectively (the "Share Transfer"). Both Top Realm and Superguard are special purpose vehicles set up, among other things, to hold the award shares on trust for the benefit of the participants of the aforesaid new employee share ownership plans.

On the same date, the Company, ASL Security, i-Sprint, Great Ally Investments Limited ("the Investor"), Top Realm and Superguard entered into a subscription agreement pursuant to which i-Sprint issued and allotted, and the Investor subscribed for, 118,973,914 new shares of i-Sprint (representing 41.67% of the enlarged issued share capital of i-Sprint following the completion) for a consideration of USD9,850,000 (equivalent to approximately HK\$76,833,000).

Upon completion of the Share Transfer and the Subscription on 12th February 2014, the Group's shareholding in i-Sprint reduced to 48.22% and the Group ceased its control in i-Sprint, which resulted in a deemed disposal of the Group's interest in i-Sprint with an estimated gain of approximately HK\$39,910,000 arisen from the deemed disposal. In addition, the employee share ownership plan of i-Sprint adopted by the Board on 10th July 2013 was cancelled upon completion.

Details of which are set out in the Company's announcements dated 28th January 2014, 4th February 2014 and 12th February 2014 respectively.

## DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31st December 2013 (2012: 5.0 HK cents per share).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial results

For the year ended 31st December 2013, revenue of the Group was HK\$1,613.0 million, lower by 3.6% compared to the same period last year.

For the year ended 31st December 2013, product sales and service revenue were HK\$890.5 million and HK\$722.5 million, decreasing by 1.6% and 6.0% respectively compared with the corresponding period last year. Product sales and service revenue contributed 55.2% and 44.8% to total revenue respectively, compared to 54.1% and 45.9% with the corresponding period last year.

For the year ended 31st December 2013, commercial and public sector sales contributed 47.0% and 53.0% to revenue respectively, compared to 46.6% and 53.4% for the corresponding period in 2012.

During the year under review, the Group operated under challenging operating conditions. Gross profit margin and profit after income tax for the full year of 2013 were 9.3% and HK\$17.3 million, lower by 2.8% and 58.1% respectively compared with the corresponding period last year. Reference is made to the Company's announcement dated 19th March 2014. The decrease in profit after income tax was mainly due to the unexpectedly high delivery costs associated with a sizable business contract of the Group which caused a significant drop in the gross profit margin. In addition, the increasingly prudent customer spending in information technology (IT) and intensified market competition also led to a drop in full year's gross profit margin and new orders secured in the first half of 2013. The new orders, however, picked up in the second half of the year. Upon the implementation of various measures relating to resources integration, cost reduction and enhancement of operating efficiency, the Group has achieved an initial positive momentum which resulted in a fall in overall operating costs to partially offset the impacts of gross profit drop. We believe that there are still rooms to improve the operational efficiency. With our diversified business development, we expect such strategy will help alleviate the possible impact of the above-mentioned contract and the overall operating environment on the business performance.

For the year ended 31st December 2013, orders newly secured by the Group amounted to approximately HK\$1,686.9 million. As of 31st December 2013, the order book balance was approximately HK\$840.3 million, an increase of HK\$10.5 million compared with the corresponding period last year. The Group's net cash stood at approximately HK\$114.7 million with a working capital ratio of 1.73:1. The Group maintained a healthy balance sheet and outstanding borrowings amounted to HK\$49.3 million as at 31st December 2013. The above amounts excluded orders, cash and cash equivalents and short-term borrowings of disposal group classified as held for sale.

### **Business Review**

Despite the challenging environment in 2013, the Group continued to provide a wide spectrum of business solutions and IT services for both public and commercial sectors with its solid foundation, accumulated operation and technical experience over the past forty years as well as our unrelenting efforts to seize business opportunities.

The Group, during the year, continued to gain trust and support from public sector and stood out at the top IT services provider in terms of the aggregate contract value in providing quality professional services among other industry peers. The Group continued to garner and provide implementation of numerous orders for the government to accommodate different government IT initiatives such as web accessibility, electronic information management and the government human resources management services.

In the commercial sector, the Group grasped opportunities arising from IT infrastructure, solutions and services to meet different market demands. The major orders recorded during the year included provisioning business intelligence solutions to theme parks, revamping storage system for a pan-Asian retail brand, and upgrading enterprise content management for a renowned local bank. The Group also expanded its business in the aviation sector by extending its customer base and securing sizeable contracts.

For the business activities outside Hong Kong, the buoyant gambling industry in Macau stimulated the demand for computing facilities and IT solutions. Of note was a sizeable order received from an integrated gaming resort in Cotai for the provision of core network infrastructure. Across the Taiwan Strait, the Group continued to take advantage of the cross-territories opportunities by supplying IT infrastructure to a Shenzhen subsidiary of one of the world's largest electronic contract manufacturers in Taiwan.

### **Outlook and Prospects**

The Group demonstrated its capability of implementing the stated strategy through an inorganic growth to accelerate the Group's development. In February 2014, the Group successfully completed the subscription by bringing a strategic investor, Great Ally Investments Limited (the "Strategic Investor") (a subsidiary of Peregrine Greater China Capital Appreciation Fund, L.P.), to subscribe for 118,973,914 new shares of i-Sprint Innovations Pte Ltd ("i-Sprint") (representing 41.67% of the enlarged issued share capital of i-Sprint) at a consideration of US\$9,850,000 (equivalent to approximately HK\$76,833,000).

This strategic investment allows the Group to record an unaudited one-off investment gain. Following the subscription, i-Sprint ceased to be a subsidiary of the Group, yet the Group remains as the largest single shareholder of i-Sprint by holding 48.22% of i-Sprint's issued share capital. Notably, the Group believes that we will benefit from the subscription in different aspects. For instance, the Strategic Investor possesses abundant experience and professional knowledge in investment and will bring expertise in planning for the initial public offering of i-Sprint's shares in the near future, thus enabling us to materialise the investment in i-Sprint at the earliest opportunity. In addition, the future collaboration between the Strategic Investor and ASL will bring synergies to the Group.

Apart from looking for inorganic growth opportunities, the Group will continue developing its IT solutions business, value-added services, as well as expanding its regional business. Capitalising on our multi-vendor expertise and strong track records, we will in particular concentrate on the business of maintenance, networking, security infrastructure, help desk outsourcing and managed services. Meanwhile, the Group will further hone its business model in response to market trends and actively capture any regional opportunities arising from the prevailing IT trends to facilitate the sustainable development of the Group.

Regarding the cross-territories business, the Group will continue to leverage the presence in China and service delivery capability of our ultimate holding company, Beijing Teamsun Technology Co., Ltd., to enhance our service quality and satisfy the diverse business needs of our customers.

In response to the challenging business environment over the previous year and in the year ahead, we have undertaken a series of measures, including enhancing our operational model, strengthening major account sales strategy while maintaining stringent cost control policies. In addition, the Group will strive for the development of potential business, including business in Macau and the above-mentioned business areas. The Group believes that those measures are able to accelerate product time-to-market, enhance business agility and flexibility and raise our service quality.

We will also endeavour to attract and retain more talents which are vital for the Group as an IT services provider. These appropriate measures are expected to facilitate the Group to be more responsive to the market changes, improve our operating margins and accelerate our business growth in the long run.

### **Financial Resources and Liquidity**

As at 31st December 2013, the Group's total assets of HK\$1,115.1 million were financed by current liabilities of HK\$471.0 million, non-current liabilities of HK\$35.5 million and shareholders' equity of HK\$608.6 million. The Group had a working capital ratio of approximately 1.73:1.

As at 31st December 2013, the Group had an aggregate composite banking facility from banks of approximately HK\$310.0 million (2012: HK\$137.8 million). The Group had pledged leasehold land and buildings and investment properties in an aggregate amount of HK\$267.4 million (2012: HK\$226.3 million) and restricted bank deposits of approximately HK\$0.1 million (2012: HK\$4.0 million) for banking facilities and performance bonds granted to the Group respectively. The performance bonds issued by the Group to customers as security of contracts were approximately HK\$44.0 million as at 31st December 2013 (2012: HK\$55.0 million). The Group's gearing ratio (total borrowings over total equity) was 8.1% as at 31st December 2013 (2012: 0.5%), the calculated gearing ratio excluded short-term borrowings of disposal group classified as held for sale.

### **Treasury Policies**

The Group generally financed its operations with internally generated resources and credit facilities provided by banks. Bank facilities available for the Group include trust receipt loans, clean import loans, overdrafts and term loans. The interest rates of most of them are fixed by reference to the respective countries' Interbank Offer Rate. The bank deposits are mainly denominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). The short-term bank borrowings, excluding short-term borrowings of disposal group classified as held for sale, are denominated in HKD and New Taiwan dollars.

### **Foreign Exchange Exposure**

The Group mainly earns revenue and incurs costs in USD and HKD. Foreign exchange exposure to USD of the Group will continue to be minimal as long as the policy of the Government of the Hong Kong Special Administrative Region to link HKD to USD remains in effect. There was no material exposure to fluctuations in exchange rates and therefore no related hedging financial instrument was applied during the year ended 31st December 2013 (2012: same).

### **Contingent Liabilities**

As at 31st December 2013, bank deposits held as security for banking facilities and performance bonds amounted to approximately HK\$0.1 million (2012: HK\$4.0 million). As at 31st December 2013, performance bonds of HK\$44.0 million (2012: HK\$55.0 million) had been issued by the Group to customers as security of contracts.

Corporate guarantee to vendors as security for goods supplied to the Group amounted to approximately HK\$44.5 million as at 31st December 2013 (2012: HK\$44.5 million). The amount utilised against goods supplied as at 31st December 2013 which was secured by the corporate guarantee was approximately HK\$1.1 million (2012: HK\$0.9 million).

**Capital Commitments**

As at 31st December 2013, the Group had no contracted capital commitments (2012: HK\$0.4 million).

**Major Customers and Suppliers**

During the year ended 31st December 2013, the five largest customers and single largest customer of the Group accounted for approximately 20.1% and 7.9%, respectively, of the Group's revenue. The five largest suppliers and single largest supplier of the Group accounted for approximately 39.8% and 11.5%, respectively, of the Group's purchases.

At no time during the year ended 31st December 2013 did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest customers or suppliers.

**Employee and Remuneration Policies**

As at 31st December 2013, the Group, excluding its associates, employed 1,475 permanent and contract staff in Hong Kong, mainland China, Taiwan, Macau, Thailand, Singapore and Malaysia. The Group remunerates its employees based on their performance, working experience and the prevailing market conditions. Bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance, medical coverage and share options scheme.

**2014 ANNUAL GENERAL MEETING**

The Company will convene the forthcoming annual general meeting on 21st May 2014, and the register of members of the Company will be closed from 16th May 2014 to 21st May 2014, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the entitlement to attend and vote at the forthcoming annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong with effect from 31st March 2014) for registration not later than 4:30 p.m. on 15th May 2014.

**PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

**AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited annual results.

**SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED ("GRANT THORNTON HONG KONG")**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2013 have been agreed by the Group's auditor, Grant Thornton Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong 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 Grant Thornton Hong Kong on the preliminary announcement.

**MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31st December 2013, and they all confirmed that they have fully complied with the required standard set out in the Model Code.

## **CORPORATE GOVERNANCE**

The Company has complied with the Corporate Governance Code (the “Code”) set out in Appendix 14 to the Listing Rules throughout the accounting period for the year ended 31st December 2013 except as noted below:

- (a) with respect to Code provision A.4.1, all Non-Executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the Company’s Bye-laws;
- (b) with respect to Code provision A.6.7, one Non-Executive Director did not attend the annual general meeting and the special general meeting of the Company held on 15th May 2013 due to other commitments; and
- (c) with respect to Code provision D.1.4, the Company did not have formal letters of appointment for all Non-Executive Directors. However, the terms of references have set out the work scope of the Board’s committees and delegation were made by the Board in respect of the responsibilities of the Non-Executive Directors in such Board’s committees.

By Order of the Board  
**Hui Wing Choy, Henry**  
*Chief Executive Officer*

Hong Kong, 28th March 2014

*As at the date hereof, the Board comprises Mr. Lai Yam Ting, Ready, Mr. Hui Wing Choy, Henry and Mr. Leung Tat Kwong, Simon being Executive Directors, Mr. Hu Liankui and Mr. Wang Weihang being Non-Executive Directors and Ms. Young Meng Ying, Mr. Lu Jiaqi and Ms. Xu Peng being Independent Non-Executive Directors.*