Suncorp

# Suncorp Technologies Limited

*(Incorporated in Bermuda with limited liability)*
(Stock Code: 1063)

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

## UNAUDITED INTERIM RESULTS

The board of directors (the "**Board**" or "**Directors**") of Suncorp Technologies Limited (the "**Company**") presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2014 together with the comparative figures in 2013, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2014*

| | Notes | **2014 (Unaudited)** ***HK$'000*** | 2013 (Unaudited) *HK$'000* |
|---|---|---|---|
| Revenue | 3 | **101,634** | 174,112 |
| Cost of sales | | **(88,468)** | (152,051) |
| Gross profit | | **13,166** | 22,061 |
| Other income and gains | 4 | **5,848** | 21,398 |
| Distribution and selling expenses | | **(12,567)** | (13,099) |
| Operating expenses | | **(7,014)** | (19,848) |
| Fair value change on held-for-trading investments | | **(13,409)** | 2,519 |
| Fair value change on early redemption option embedded in convertible notes | | **(1,127)** | – |
| Fair value change on convertible notes designated as at fair value through profit or loss | | **–** | (10) |
| Finance costs | | **(2,093)** | (696) |

| | Notes | **2014** **(Unaudited)** ***HK$'000*** | 2013 (Unaudited) *HK$'000* |
|---|---|---|---|
| (Loss)/Profit before tax | | **(17,196)** | 12,325 |
| Income tax expense | 5 | **(222)** | – |
| **(Loss)/Profit for the period** | 7 | **(17,418)** | 12,325 |
| **Other comprehensive (expense)/income** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | | |
| – Exchange loss arising during the period | | **–** | (423) |
| – Reclassification adjustment for the cumulative gain/(loss) included in profit or loss upon disposal of foreign operations | | **(264)** | 870 |
| **Other comprehensive (expense)/income for the period** | | **(264)** | 447 |
| **Total comprehensive (expense)/income for the period** | | **(17,682)** | 12,772 |
| **(Loss)/Earnings per share** (HK cents) | 8 | | (Restated) |
| – Basic | | **(0.19)** | 0.66 |
| – Diluted | | **(0.19)** | 0.65 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | At 30 June 2014 HK$'000 (Unaudited) | At 31 December 2013 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **3** | 21 |
| Goodwill | | **29,877** | 29,877 |
| | | **29,880** | 29,898 |
| **Current assets** | | | |
| Inventories | | **2,556** | – |
| Trade, bill and other receivables | 10 | **54,401** | 32,521 |
| Bill receivable discounted with full recourse | | **1,100** | 6,794 |
| Contingent consideration | | **–** | 1,650 |
| Early redemption option embedded in convertible notes | 13 | **–** | 1,127 |
| Held-for-trading investments | | **4,273** | 22,500 |
| Bank balances and cash | | **21,343** | 35,413 |
| | | **83,673** | 100,005 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | **48,291** | 42,303 |
| Advance drawn on bill receivable discounted with full recourse | | **1,100** | 6,794 |
| Promissory notes | 12 | **15,233** | 14,842 |
| Current tax liabilities | | **1,182** | 960 |
| | | **65,806** | 64,899 |
| **Net current assets** | | **17,867** | 35,106 |
| **Total assets less current liabilities** | | **47,747** | 65,004 |
| **Capital and reserves** | | | |
| Share capital | 14 | **3,849** | 2,151 |
| Reserves | | **22,752** | (10,791) |
| **Total equity** | | **26,601** | (8,640) |
| **Non-current liabilities** | | | |
| Promissory notes | 12 | **21,146** | 22,251 |
| Convertible notes | 13 | **–** | 51,393 |
| | | **21,146** | 73,644 |
| | | **47,747** | 65,004 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital<br>*HK$'000* | Share premium<br>*HK$'000* | Other capital reserve<br>*HK$'000* | Translation reserve<br>*HK$'000* | Convertible notes equity reserve<br>*HK$'000* | Share option reserve<br>*HK$'000* | Accumulated losses<br>*HK$'000* | Total equity<br>*HK$'000* |
| At 1 January 2013 (Audited) | 564 | 456,931 | 14,945 | (118) | – | – | (553,913) | (81,591) |
| Profit for the period | – | – | – | – | – | – | 12,325 | 12,325 |
| Other comprehensive income for the period | | | | | | | | |
| Exchange differences on translating foreign operations | | | | | | | | |
| – Exchange loss arising during the period | – | – | – | (423) | – | – | – | (423) |
| – Reclassification adjustment for the cumulative loss included in profit or loss upon disposal of foreign operations | – | – | – | 870 | – | – | – | 870 |
| | – | – | – | 447 | – | – | – | 447 |
| Total comprehensive income for the period | – | – | – | 447 | – | – | 12,325 | 12,772 |
| At 30 June 2013 (Unaudited) | 564 | 456,931 | 14,945 | 329 | – | – | (541,588) | (68,819) |
| **At 1 January 2014 (Audited)** | **2,151** | **508,055** | **14,945** | **264** | **5,642** | **4,048** | **(543,745)** | **(8,640)** |
| **Loss for the period** | **–** | **–** | **–** | **–** | **–** | **–** | **(17,418)** | **(17,418)** |
| **Other comprehensive expense for the period** | | | | | | | | |
| **Exchange differences on translating foreign operations** | | | | | | | | |
| **– Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of foreign operations** | **–** | **–** | **–** | **(264)** | **–** | **–** | **–** | **(264)** |
| | **–** | **–** | **–** | **(264)** | **–** | **–** | **–** | **(264)** |
| **Total comprehensive expense for the period** | **–** | **–** | **–** | **(264)** | | **–** | **(17,418)** | **(17,682)** |
| **Conversion of convertible notes** | **1,689** | **55,592** | **–** | **–** | **(5,561)** | **–** | **–** | **51,720** |
| **Release of convertible notes equity reserve upon redemption of convertible notes** | **–** | **–** | **–** | **–** | **(81)** | **–** | **(16)** | **(97)** |
| **Exercise of share options** | **9** | **2,100** | **–** | **–** | **–** | **(809)** | **–** | **1,300** |
| **At 30 June 2014 (Unaudited)** | **3,849** | **565,747** | **14,945** | **–** | **–** | **3,239** | **(561,179)** | **26,601** |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2014*

| | **2014** | 2013 |
|---|---|---|
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Net cash used in operating activities | **(8,572)** | (4,501) |
| Net cash used in investing activities | **(276)** | (1,345) |
| Net cash (used in)/generated from financing activities | **(5,222)** | 5,811 |
| Net decrease in cash and cash equivalents | **(14,070)** | (35) |
| Effect of foreign exchange rate changes | **–** | 88 |
| Cash and cash equivalents at the beginning of the period | **35,413** | 9,872 |
| Cash and cash equivalents at the end of the period, represented by bank balances and cash | **21,343** | 9,925 |

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2014*

**1. Basis of preparation**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with Hong Kong Accounting Standard 34 "Interim financial reporting".

**2. Principal accounting policies**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, a new interpretation and certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the current interim period. The application of the new interpretation and amendments to HKFRSs in the current interim period has had no material effect on amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 3. Revenue and segment information

Revenue represents the gross amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, during the period.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

**Six months ended 30 June 2014**

| | Telephones and related equipment | Used computer-related components | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Revenue** | | | |
| External sales | **82,380** | **19,254** | **101,634** |
| Segment (loss)/profit | **(6,444)** | **1,334** | **(5,110)** |
| Interest income on bank deposits | | | **1** |
| Gain on disposal of subsidiaries | | | **5,427** |
| Gain on repayment of promissory note | | | **38** |
| Gain on redemption of convertible notes | | | **14** |
| Fair value change on held-for-trading investments | | | **(13,409)** |
| Fair value change on early redemption option embedded in convertible notes | | | **(1,127)** |
| Unallocated expenses | | | **(937)** |
| Finance costs | | | **(2,093)** |
| Loss before tax | | | **(17,196)** |

**Six months ended 30 June 2013**

| | Telephones and related equipment *HK$'000* | Used computer-related components *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **Revenue** | | | |
| External sales | 174,112 | – | 174,112 |
| Segment loss | (9,637) | – | (9,637) |
| Interest income on bank deposits | | | 3 |
| Gain on disposal of subsidiaries | | | 20,269 |
| Gain on disposal of a joint venture | | | 1,000 |
| Fair value change on held-for-trading investments | | | 2,519 |
| Fair value change on convertible notes designated as at fair value through profit or loss | | | (10) |
| Unallocated expenses | | | (1,123) |
| Finance costs | | | (696) |
| Profit before tax | | | 12,325 |

## 4. Other income and gains

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Gain on disposal of subsidiaries | **5,427** | 20,269 |
| Gain on disposal of a joint venture | **–** | 1,000 |
| Gain on repayment of promissory note | **38** | – |
| Gain on redemption of convertible notes | **14** | – |
| Net foreign exchange gain | **141** | – |
| Interest income on bank deposits | **1** | 3 |
| Management fee income | **218** | 126 |
| Sundry income | **9** | – |
| | **5,848** | 21,398 |

## 5. Income tax expense

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| Hong Kong Profits Tax | **222** | – |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No Hong Kong Profits Tax has been provided for the period ended 30 June 2013 as the Group did not generate any assessable profits during the period.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods. No PRC Enterprise Income Tax has been provided for the periods ended 30 June 2014 and 2013 as the PRC subsidiaries did not generate any assessable profits during the periods.

## 6. Disposal of subsidiaries

On 22 April 2014, the Group disposed of its 100% equity interests in HB Electronics (China) Limited, Suncorp Industrial (China) Limited, Bamboo Bay Investments Limited, Mondial Communications Limited, Suncorp Communications Limited, SGW Electronics Limited, Suncorp Information Technologies Limited, Tak San Development Limited and 深圳家昌通訊設備有限公司 (collectively referred to as the "Disposal Group").

The net liabilities of the Disposal Group at the date of disposal were as follows:

| | *HK$'000* |
|---|---|
| Net liabilities disposal of | (5,157) |
| Reclassification of cumulative translation reserve on disposal of foreign operations | (264) |
| | (5,421) |
| Gain on disposal | 5,427 |
| Total consideration | 6 |
| Satisfied by: | |
| Cash | 6 |
| Net cash outflow arising on disposal: | |
| Total cash consideration received | 6 |
| Bank balances and cash disposal of | (283) |
| | (277) |

## 7. (Loss)/Profit for the period

(Loss)/Profit for the period has been arrived at after charging:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories recognised as an expense | **88,468** | 103,812 |
| Depreciation of property, plant and equipment | **18** | 915 |
| Net foreign exchange losses | **–** | 61 |
| Staff costs including directors' remuneration | **3,197** | 42,031 |

## 8. (Loss)/Earnings per share

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following data:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| **(Loss)/Earnings** | | |
| (Loss)/Earnings for the purpose of basic and diluted (loss)/earnings per share ((Loss)/Profit for the period attributable to owners of the Company) | **(17,418)** | 12,325 |
| Effect of dilutive potential ordinary shares: | | |
| – Fair value change on convertible notes designated as at fair value through profit or loss | **–** | 10 |
| (Loss)/Profit for the purpose of diluted (loss)/earnings per share | **(17,418)** | 12,335 |

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | | (Restated) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share | **9,387,198,958** | 1,879,515,570 |
| Effect of dilutive potential ordinary shares: | | |
| – Convertible notes designated as at fair value through profit or loss | **–** | 13,996,317 |
| Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share | **9,387,198,958** | 1,893,511,887 |

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the six months ended 30 June 2013 has been adjusted for the effect of the share subdivision ("Share Subdivision") on 18 December 2013.

The computation of diluted loss per share for the six months ended 30 June 2014 does not assume the conversion of the Company's outstanding convertible notes and the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

## 9. Dividends

No dividend was paid or proposed during the six months ended 30 June 2014 and 2013.

## 10. Trade, bill and other receivables

| | **At 30 June 2014 (Unaudited)** *HK$'000* | At 31 December 2013 (Audited) *HK$'000* |
|---|---|---|
| Trade and bill receivables | **36,574** | 27,692 |
| Less: Allowance for doubtful debts | **(5,451)** | (5,451) |
| | **31,123** | 22,241 |
| Deposits, prepayments and other receivables | **23,278** | 10,280 |
| Total trade, bill and other receivables | **54,401** | 32,521 |

The Group allows a credit period from 30 to 90 days to its trade customers. The following is an ageing analysis of trade and bill receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of the reporting period:

| | **At 30 June 2014 (Unaudited)** *HK$'000* | At 31 December 2013 (Audited) *HK$'000* |
|---|---|---|
| 0-30 days | **8,018** | 9,974 |
| 31-60 days | **14,129** | 2,730 |
| 61-90 days | **2,601** | 1,746 |
| Over 90 days | **6,375** | 7,791 |
| | **31,123** | 22,241 |

## 11. Trade and other payables

| | At 30 June 2014 (Unaudited) *HK$'000* | At 31 December 2013 (Audited) *HK$'000* |
|---|---|---|
| Trade payables | **36,695** | 29,376 |
| Accrued charges and other payables | **11,596** | 12,927 |
| | **48,291** | 42,303 |

The following is an ageing analysis of trade payables presented based on invoice date at the end of the reporting period:

| | At 30 June 2014 (Unaudited) *HK$'000* | At 31 December 2013 (Audited) *HK$'000* |
|---|---|---|
| 0-30 days | **7,425** | 8,116 |
| 31-60 days | **14,583** | 965 |
| 61-90 days | **1,253** | 2,154 |
| Over 90 days | **13,434** | 18,141 |
| | **36,695** | 29,376 |

The average credit period on purchase of goods is 60 days.

## 12. Promissory notes

On 31 July 2013, the Company issued promissory notes with an aggregate principal amount of HK$37,000,000 in two tranches as part of the consideration for the acquisition of the entire equity interest in Smart Policy Investments Limited and its subsidiary, Worldwide Technology (Hong Kong) Limited (collectively referred to as "Smart Policy Group"). The promissory notes are unsecured and denominated in Hong Kong dollars. The first tranche promissory note with principal amount of HK$15,000,000 ("First Tranche Promissory Note") is bearing interest at fixed rate of 2% per annum and is repayable in one year from the date of issue. The second tranche promissory note with principal amount of HK$22,000,000 ("Second Tranche Promissory Note") is bearing interest at fixed rate of 5% per annum and is repayable in two years from the date of issue.

Pursuant to the sale and purchase agreement, the vendors have agreed to provide a profit guarantee to the Company in relation to the financial performance of Smart Policy Group for the year ended 31 December 2013. The profit guarantee required Smart Policy Group to meet a target profit after tax for the year ended 31 December 2013 of HK$4,000,000 (the "Guaranteed Profit"). The profit after tax for the year ended 31 December 2013 generated by Smart Policy Group was approximately HK$3,835,000. The shortfall of the Guaranteed Profit was deducted from the Second Tranche Promissory Note during the six months ended 30 June 2014.

## 13. Convertible notes

In September 2013, the Company entered into a placing agreement and a side letter with an independent placing agent in relation to the placing of two-year 1% coupon convertible notes up to an aggregate principal amount of HK$110,000,000 in not more than four tranches to independent third parties. On 13 November 2013, the convertible notes in an aggregate principal amount of HK$40,000,000 (the "First Tranche Convertible Notes") were issued. The gross proceeds from the placing of the First Tranche Convertible Notes amounted to HK$40,000,000 which were deployed as debt repayment.

On 13 December 2013, the convertible notes in an aggregate principal amount of HK$70,000,000 (the "Second Tranche Convertible Notes") were issued. The gross proceeds from the placing of the Second Tranche Convertible Notes amounted to approximately HK$70,000,000 which were deployed as debt repayment and general working capital.

The First Tranche Convertible Notes and the Second Tranche Convertible Notes (hereinafter referred to as "Convertible Notes") bear interest at the rate of 1% per annum payable in arrears on the maturity date, and are convertible into the Company's ordinary shares at an initial conversion price of HK$0.10 per share (adjusted to HK$0.01 per share after Share Subdivision) (subject to adjustments) at any time starting from the date of issue until the maturity date. The maturity date of the Convertible Notes will be the date falling on the second anniversary of the date of issue.

The Company could redeem the outstanding Convertible Notes at 103% of the principal amount by giving the noteholders written notice of redemption during the outstanding period. On the maturity date, any unconverted Convertible Notes will be redeemed by the Company at 100% of the principal amount.

The Convertible Notes contain three components, liability component, equity and early redemption option elements. The equity element is presented in equity heading "convertible note equity reserve". The early redemption option is measured at fair value with changes in fair value recognised in profit or loss. The effective interest rate of the liability component is 6.75% per annum.

The movement of the liability component and early redemption option of the Convertible Notes for the six months ended 30 June 2014 is set out as below:

| | **Liability component** *HK$'000* | **Early redemption option** *HK$'000* |
|---|---|---|
| At 1 January 2014 | **51,393** | 1,127 |
| Conversion to ordinary shares | **(51,720)** | – |
| Redemption | **(745)** | – |
| Interest charge | **1,072** | – |
| Loss arising on changes of fair value | **–** | (1,127) |
| At 30 June 2014 | **–** | **–** |

## 14. Share capital

Ordinary shares of HK$0.0003 each

| | Number of ordinary shares | Amount |
|---|---|---|
| | | *HK$'000* |
| **Authorised:** | | |
| At 1 January 2014 and at 30 June 2014 | 2,000,000,000,000 | 600,000 |
| **Issued and fully paid:** | | |
| At 1 January 2014 | 7,169,515,570 | 2,151 |
| Issue of shares on conversion of convertible notes | 5,630,000,000 | 1,689 |
| Issue of shares on exercise of share options | 31,326,300 | 9 |
| At 30 June 2014 | 12,830,841,870 | 3,849 |

## 15. Related party disclosures

The Group had no significant related party transaction during the six months ended 30 June 2014.

## 16. Fair value measurements of financial instruments

*Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market date (unobservable inputs).

| Financial assets | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) |
|---|---|---|---|---|---|
| | **30/06/2014** | 31/12/2013 | | | |
| | ***HK$'000*** | *HK$'000* | | | |
| Listed equity securities in Hong Kong classified as held-for-trading investments | **4,273** | 22,500 | Level 1 | Quoted bid prices in an active market | – |
| Contingent consideration in a business combination | **–** | 1,650 | Level 3 | Black-Scholes Model<br><br>The key inputs are expected profit, guaranteed profit, time to maturity, risk free rate and volatility | Volatility, ranging from 0% to 68.46% *(Note 1)* |
| Early redemption option embedded in convertible notes | **–** | 1,127 | Level 3 | Black-Scholes Model<br><br>The key inputs are risk free rate, volatility of the underlying assets, redemption value, conversion value and probability of early redemption | Probability of early redemption of 0.05% *(Note 2)* |

*Notes:*

(1) An increase in the volatility used in isolation would result in an increase in the fair value measurement of the contingent consideration, and vice versa. A 5% increase in the volatility holding all other variables constant would increase the carrying amount of the contingent consideration by approximately HK$520,000.

(2) An increase in the probability of early redemption used in isolation would result in an increase in the fair value measurement of the early redemption option embedded in convertible notes, and vice versa. A 0.05% increase in the probability of early redemption holding all other variables constant would increase the carrying amount of the early redemption option embedded in convertible notes by approximately HK$1,108,000.

There were no transfers between Level 1 and 2 in current and prior periods.

*Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis*

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

| | **31/06/2014** | | 31/12/2013 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* |
| **Financial liabilities** | | | | |
| Promissory notes under non-current liabilities | **21,146** | **20,217** | 22,251 | 21,807 |
| Convertible notes | **–** | **–** | 51,393 | 52,407 |

*Notes:*

(1) The fair values are based on cash flows discounted using the prevailing market interest rates for loans with similar credit rating and similar tenor of the respective loans.

(2) These financial liabilities were classified under level 2 in the fair value hierarchy.

*Reconciliation of Level 3 fair value measurements of financial assets*

| | **Contingent consideration** | **Early redemption option embedded in the convertible notes** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| At 1 January 2014 | 1,650 | 1,127 |
| Total loss in profit or loss | – | (1,127) |
| Settlements | (1,650) | – |
| At 30 June 2014 | – | – |

*Fair value measurements and valuation processes*

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The board of directors of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in the determination of the fair value of various assets are disclosed above.

## DIRECTOR'S STATEMENT

On behalf of the Board of the Company, I present to you the interim report of the Group for the six months ended 30 June 2014.

During the six months of review, the Group's turnover amounted to approximately HK$101.6 million, compared to HK$174.1 million reported in 2013, representing a decrease of approximately 41.6%. In relation to the Group's turnover, approximately 81.1% resulted from sales of telephone products, 18.9% resulted from the newly acquired company engaged principally in the processing and trading of used computer-related components. Gross profit from operation for the year under review was approximately HK$13.2 million, compared to a gross profit of approximately HK$22.1 million reported in 2013, representing a decrease of approximately 40.3%. The net loss was approximately HK$17.4 million, which was mainly due to the change in the fair value on the held-for-trading investments.

As previously reported, Motorola Mobility selected the Company as its exclusive licensee for the Motorola brand for corded and cordless telephones for residential and office use in Europe, Russian Federation, Middle East, Africa and Asia (including China, India, South East Asia and Australia). The Group's core activity is the design, sales and marketing of telephone products under the Motorola brand in the above territories.

The processing and trading of used computer-related components business continues to perform and has contributed positive returns to the Group during the six months period ended 30 June 2014.

Looking ahead, although the overall current business environment is still challenging, the Board will continue to explore new business opportunities in the new media area or in area which could diversify the Group's current business and will bring value to shareholders as a whole.

On behalf of the Board, I would like to take this opportunity to thank our customers, suppliers and staff for their continued support, and to assure shareholders and noteholders that we will work tirelessly to improve the Company's performance.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

For the six months ended 30 June 2014, the Group recorded a turnover of approximately HK$101.6 million which represents a decrease of approximately 41.6% as compared to the corresponding figure for the six months ended 30 June 2013. The gross profit for the period under review was approximately HK$13.2 million as compared to approximately HK$22.1 million for the previous period. The net loss for the period was approximately HK$17.4 million.

### Segmental Information

The turnover, gross profit and net loss from the telephones and related equipment segment for the six months ended 30 June 2014 are set out as below:

| | **At 30 June 2014** **(Unaudited)** *HK$'000* |
|---|---|
| Turnover | 82,380 |
| Gross profit | 10,816 |
| Net loss | (6,444) |

The turnover, gross profit and net profit from the used computer-related components segment for the six months ended 30 June 2014 are set out as below:

| | **At 30 June 2014** **(Unaudited)** *HK$'000* |
|---|---|
| Turnover | 19,254 |
| Gross profit | 2,350 |
| Net profit | 1,334 |

### Liquidity and Financial Resources

The decrease in current ratio from 1.54 to 1.27 was mainly due to the decreased in bill receivable discounted with full recourse and held-for-trading investment.

At 30 June 2014, the Group had cash on hand of approximately HK$21.3 million, net current assets of approximately HK$17.9 million, total assets of approximately HK$113.6 million and shareholders' fund of approximately HK$26.6 million. The Group has HK$1.1 million bank borrowings as at 30 June 2014.

### Gearing Ratio

As at 30 June 2014, the Group's gearing ratio is 1.37, calculated based on the Group's promissory notes of approximately HK$36.4 million and the Group's shareholder fund of approximately HK$26.6 million.

As at 30 June 2013, no gearing ratio is presented as the Group is in a negative equity position.

### Capital Structure

For the six months ended 30 June 2014, 31,326,300 shares and 5,630,000,000 shares were issued upon the exercise of the share options and convertible notes respectively.

### Exchange Rate

All sales in the current period were denominated in US dollars, whilst the majority of the Group's expenses were denominated in US dollars and HK dollars.

### Investments

During the six months ended 30 June 2014, there were no material acquisitions or disposals of subsidiaries and associated companies.

### Contingent Liabilities

As at 30 June 2014, the Group and the Company do not have any significant contingent liabilities.

### Employees

The Group's emolument policies are formulated on the performance of employees with reference to the market condition. The Board may exercise its discretion to grant share options to the executive Directors and employees as an incentive to their contribution to the Group. During the period under review, no share options had been granted by the Group to the employees in accordance with the share option scheme.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 June 2014, the interests and short positions of the Directors, chief executive and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules were as follows:

**Long Position**

**Ordinary shares of HK$0.0003 each of the Company**

| Name of Director | Number of ordinary shares held Personal interests | Corporate interests | Percentage of the issued share capital of the Company *(Note 1)* (%) |
|---|---|---|---|
| Malcolm Stephen JACOBS-PATON | 260,780 | – | 0.0002% |
| XIAO Qingmin *(Note 2)* | 15,663,160 | | 0.1221% |

*Notes:*

1. The percentage shareholding is calculated on the basis of the Company's issued share capital of 12,830,841,870.

2. Mr. Xiao was granted options to subscribe for 15,663,160 shares.

Save as disclosed above, at 30 June 2014, none of the Directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As at 30 June 2014, save as disclosed below, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

| Name of shareholder with over 5% shareholding | Capacity | Nature of Interest | Long or short position | Number of shares | Percentage of the issued share capital of the Company *(Note 1)* |
|---|---|---|---|---|---|
| Sung Kwan Wun | Beneficial owner | Beneficial interest | Long Position | 1,315,000,000 | 10.25% |
| Cloud Dynasty (Macau) Limited *(Note 2)* | Controlled Company's interest | Corporate Interest | Long Position | 1,300,000,000 | 10.13% |
| Chan Sin Ying *(Note 2)* | Beneficial owner | Beneficial interest | Long Position | 1,300,000,000 | 10.13% |
| Eugene Finance International Limited *(Note 3)* | Controlled Company's interest | Corporate Interest | Long Position | 1,300,000,000 | 10.13% |
| Xiao Lili *(Note 3)* | Beneficial owner | Beneficial interest | Long Position | 1,300,000,000 | 10.13% |
| Orchid Touch Limited *(Note 4)* | Controlled Company's interest | Corporate Interest | Long Position | 1,300,000,000 | 10.13% |
| So Ka Yan *(Note 4)* | Beneficial owner | Beneficial interest | Long Position | 1,300,000,000 | 10.13% |
| Li Rong Hua | Beneficial owner | Beneficial interest | Long Position | 1,300,000,000 | 10.13% |

*Notes:*

1. The percentage shareholding is calculated on the basis of the Company's issued share capital of 12,830,841,870.

2. Cloud Dynasty (Macau) Limited ("Cloud Dynasty") is directly interested in 1,300,000,000 shares in the Company. Cloud Dynasty is wholly owned by Chan Sin Ying. Chan Sin Ying is therefore deemed to be interested in 1,300,000,000 shares in the Company.

3. Eugene Finance International Limited ("Eugene Finance") is directly interested in 1,300,000,000 shares in the Company. Eugene Finance is wholly owned by Xiao Lili. Xiao Lili is therefore deemed to be interested in 1,300,000,000 shares in the Company.

4. Orchid Touch Limited ("Orchid Touch") is directly interested in 1,300,000,000 shares in the Company. Orchid Touch is wholly owned by So Ka Yan. So Ka Yan is therefore deemed to be interested in 1,300,000,000 shares in the Company.

## SHARE OPTIONS SCHEME

On 4 May 2012, a share option scheme (the "**Share Option Scheme**") was adopted by shareholders under which the Directors may, at their discretion, grant share options to eligible persons including Directors and employees to subscribe shares in the Company, and 15,663,150 share options were granted to eligible grantees on 7 October 2013. In the annual general meeting of the Company held on 28 April 2014, the shareholders have approved and refreshed the general limit under the Share Option Scheme ("**Refreshment**"). As such, a total of 726,951,557 share options will be available to grant to eligible grantees pursuant to the Refreshment.

During the six months ended 30 June 2014, 31,326,300 share options have been exercised.

## GUARANTEES TO AFFILIATED COMPANIES

As at 30 June 2014, guarantee in an amount of USD2,000,000 was given by the Company to DBS Bank (Hong Kong) Limited in respect of banking facilities granted to Suncorp Global Limited, a wholly owned subsidiary of the Company.

## AUDIT COMMITTEE

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the audit of the Company. The Audit Committee was established in March 2000 with defined written terms of reference which describe the authorities and duties of the Audit Committee. The Audit Committee currently consists of three members, all of whom are independent non-executive Directors ("**INEDs**") namely Mr. Lee Ho Yiu, Thomas, Ms. Lu Bei Lin and Mr. Lee Ka Sing, Joseph, of which Mr. Lee Ho Yiu, Thomas is the chairman. The unaudited financial statements of the Group for the six months ended 30 June 2014 have been reviewed by the Audit Committee.

## CORPORATE GOVERNANCE

The Company is committed to high standards of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal control, transparency, independence and accountability to all shareholders.

Throughout the period, the Group had applied the principles as set out in the Code of Corporate Governance Practices (the "**CG Code**") in Appendix 14 of the Listing Rules, except for the deviations as follows

### Chairman and Chief Executive Officer

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, in view of the current nature of the Company, the Board opines that it is not necessary to appoint a chairman or chief executive officer and daily operation of the Group is delegated to executive Directors, department heads and various committees. In this circumstances, the Board considers that the present practice has already addressed the concerns of the CG Code in this respect.

### Non-Executive Directors

Pursuant to Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term subject to re-election. None of the existing non-executive Directors and INEDs are engaged on specific term, and it constituted a deviation from Code Provision A.4.1 of the CG Code. However all Directors, including non-executive Directors and INEDs are subject to retirement by rotation at each annual general meeting at least once every three years under the Company's Bye-laws. In the circumstances, the Board considers that the present practice has already addressed the concerns of the CG Code in this respect.

### Attendance of Annual General Meeting

Pursuant to Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other pre-arranged business commitments, Ms. Lu Bei Lin and Mr. Lee Ka Sing, Joseph, being the independent non-executive director of the Company, were not present at the annual general meeting of the Company held on 28 April 2014.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transaction. Based on specific enquiry of all the Directors, the Directors have complied with the required standard as set out in the Model Code throughout the period.

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

During the period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

By Order of the Board
**Suncorp Technologies Limited**
**Wang Zhen Dong**
*Executive Director*

Hong Kong, 20 August 2014

*As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Malcolm Stephen Jacobs-Paton, Mr. Wang Zhen Dong, Mr. Xiao Qingmin, Ms. Wang Yan and three independent non-executive Directors, namely Ms. Lu Bei Lin, Mr. Lee Ho Yiu, Thomas and Mr. Lee Ka Sing, Joseph.*