Mitsumaru East Kit (Holdings) Limited
三丸東傑（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2358)

2013 Annual Report

Contents

Corporate Information

DIRECTORS

Executive Directors
Mr. Siu Chi Ming
Mr. Tang Chin Wan

Independent Non-executive Directors
Ms. Au Shui Ming
Mr. Martin He
Mr. Mu Xiangming (resigned on 7 June 2013)
Mr. Wu Yinong (appointed on 30 December 2013)

AUDIT COMMITTEE

Ms. Au Shui Ming *(Chairman)*
Mr. Martin He
Mr. Wu Yinong

NOMINATION COMMITTEE

Mr. Wu Yinong *(Chairman)*
Ms. Au Shui Ming
Mr. Martin He

REMUNERATION COMMITTEE

Mr. Martin He *(Chairman)*
Ms. Au Shui Ming
Mr. Wu Yinong
Mr. Siu Chi Ming

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 5005–5006, 50/F
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

COMPANY SECRETARY

Mr. Jan Wing Fu, Barry

AUTHORISED REPRESENTATIVES

(for the purposes of the listing rules)
Mr. Siu Chi Ming
Mr. Jan Wing Fu, Barry

AUTHORISED REPRESENTATIVES

(to accept service of process and notices under Part XI of the Hong Kong Companies Ordinance)
Mr. Siu Chi Ming
Mr. Jan Wing Fu, Barry

AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
21/F., Max Share Centre
373 King's Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Central, Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 2358

WEBSITE

http://www.irasia.com/listco/hk/2358

FINANCIAL REVIEW

Overall Financial Results

The board (the "**Board**") of directors (the "**Directors**") of Mitsumaru East Kit (Holdings) Limited (the "**Company**") are pleased to present this annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2013 (the "**Year**") to the shareholders of the Company.

For the year ended 31 December 2013, the Group achieved a turnover of approximately HK$42,303,000 from continuing operations with a gross profit of approximately HK$15,600,000. The loss for the Year attributable to owners of the Company from continuing operations was approximately HK$29,071,000. Basic loss per share of the Company was approximately HK1.67 cents while basic earnings per share for the year ended 31 December 2012 was approximately HK0.75 cents (restated). As at 31 December 2013, balance of cash and cash equivalents of the Group were approximately HK$98,042,000.

Turnover

For the Year under review, the Group recorded a turnover of approximately HK$42,303,000 from continuing operations which was solely contributed by the business segment of water meter.

In 2013, the Group's business has two reporting segments (2012: three). Details of the segment information are set out in Note 8 of the consolidated financial statements in this annual report.

Continuing operations

(i) Water meter

The Group acquired 72.5% equity interest of Wuhan Sunbow Science & Technology Co. Limited ("**Sunbow**") on 29 February 2012 which were engaged in the design, assembly and installation of water meter in the Peoples' Republic of China (the "**PRC**").

(ii) TV business

A new segment to the Group after the acquisition of 100% equity interest on Soyea Jiu Rong Technology Co., Ltd. ("**Soyea Jiu Rong**") on 19 December 2013 which is a limited liability company incorporated in the PRC and is principally engaged in the research and development, manufacturing and sales of digital television ("**TV**"), high definition liquid crystal display TV and set-top box as well as provision of application of solutions regarding integration of tele-communication, TV and internet in the digital audio visual industry.

Discontinued operations

(i) Design and assembly – the design of the classic of colour TV, assembling of colour TV and the trading of related components;

(ii) Trading – Trading of components related to colour TV.

Gross Profit Margin

During the Year under review, the gross profit was credited to the high gross profit margin from the water meter business.

Expenses

During the Year under review, the Group adopted stringent cost controls on its operation. Management of the Group always believes that maintaining a high standard of cost control on expenses were for the benefits of the Group. Therefore, management regularly reviewed and updated controls and procedures to ensure that cost control objectives can be achieved.

Financial Position and Liquidity

	31 December 2013	31 December 2012
Current ratio	**3.02**	0.09
Quick ratio	**2.45**	0.07
Gearing ratio	**N/A**	1,019%

* Gearing ratio = Net debt divided by the capital plus net debt

For the Year under review, the Group used approximately HK$12,781,000 (2012: approximately HK$3,244,000) of cash from its operations. As at 31 December 2013, the Group had cash and cash equivalents of approximately HK$98,042,000 (2012: approximately HK$2,171,000). The substantial increase in cash and cash equivalents was mainly due to the Company completed an open offer of 2,400,000,000 shares at HK$0.10 per share on the basis of six offer shares for every one existing share (the "**Open Offer**") on 27 December 2013, of which net proceeds of approximately HK$231 million was received.

As at 31 December 2013, surplus in shareholders' equity was approximately HK$171,062,000 (2012: deficit in shareholders' equity of approximately HK$141,284,000). Current assets of the Group amounted to approximately HK$219,802,000 (2012: approximately HK$14,258,000). The current ratio and quick ratio were approximately 3.02 and 2.45 (2012: approximately 0.09 and 0.07), respectively.

As at 31 December 2013, the Group's net cashes amounted to approximately HK$27,722,000 (2012: net debts of approximately HK$156,653,000).

Trade and notes receivables increased from approximately HK$7,111,000 as at 31 December 2012 to approximately HK$64,979,000 as at 31 December 2013. During the Year under review, the Group did not provide any impairment loss on trade and notes receivables (2012: approximately HK$6,900,000).

Capital Expenditure

The Group's total capital expenditures on property, plant and equipment during the Year under review amounted to approximately HK$107,000 (2012: approximately HK$2,375,000).

Pledge of Assets

As at 31 December 2013, the Group did not pledge any of its assets to secure any borrowing of the Company and of the Group (2012: approximately HK$19,625,000).

Material Acquisition

During the Year under review, the Group acquired the entire 100% equity interest in Soyea Jiu Rong on 19 December 2013. Details of the Group's acquisitions during the Year is set out in Note 35 of the financial statements in this annual report.

Capital Structure

During the Year, the Company issued and allotted 3,400,000,000 new shares at par value of HK$0.10. The total number of issued and fully paid ordinary share as at 31 December 2013 was 3,800,000,000. Details movements of the Company's share capital during the Year is set out in Note 32 of the financial statement in this annual report.

Significant Investment

Other than the Group's investment in Sunbow and Soyea Jiu Rong, the Group did not have any significant investments during the Year under review.

Foreign Exchange and Currency Risks

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities and Capital Commitments

The Group does not have any contingent liability in the Year under review (2012: Nil).

The Group does not have any capital commitment in the Year under review (2012: Nil).

Employees Benefit and Expenses

As at 31 December 2013, there were 52 employees (2012: 44 employees) in the Group. The total amount of employee remuneration incurred for the Year was approximately HK$10,005,000 (2012: approximately HK$3,931,000). The Group determines employees' remuneration by the work responsibilities, job performance and professional experience. The Group also provides employees on-job training from time to time to upgrade the knowledge, skills and overall caliber of its employees.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Despite 2013 continued to be a tough and challenging year to the Group, the Group recorded approximately HK$42,303,000 (2012: approximately HK$17,854,000) in turnover from continuing operations during the Year. The Group's gross profit margin also improved from 33.4% to 36.9% for the Year under review. However, the Group still recorded an operating loss from continuing operations for approximately HK$26,989,000 (2012: approximately HK$19,351,000) in the Year, and it is mainly due to the interests paid to other loans from third parties, and the substantial professional fees paid which were related to the resumption of the share trading of the Company in 2013. The loss attributable to owners of the Company from continuing operations was approximately HK$29,071,000 in 2013 (2012: approximately HK$19,585,000).

Following the completion of the acquisition of 100% equity interest of Soyea Jiu Rong and the Open Offer of net proceeds of approximately HK$231,000,000, the Company's operating and financial position was significantly improved and trading of the Company's shares was resumed on 31 December 2013.

Directors and Senior Management Profiles

EXECUTIVE DIRECTORS

Mr. Siu Chi Ming, aged 33, holds a Bachelor of Business Administration (Accounting) from Hong Kong Baptist University. Mr. Siu is a fellow member of the Association of Chartered Certified Accountants and an associate of Hong Kong Institute of Chartered Secretaries as well as the Institute of Chartered Secretaries and Administrators. Prior to joining the Group, Mr. Siu was a senior manager of a corporate finance division of a licensed corporation registered under Securities and Futures Ordinance (the "**SFO**") and a licensed person registered under the SFO to carry on type 6 (advising on corporate finance) regulated activities, Mr. Siu has been involved in several corporate finance transactions including mergers and acquisitions, corporate reorganization and a variety of fund raising exercises. He is currently responsible for the overall management of the Group. Mr. Siu joined the Group and was appointed as an Executive Director on 9 February 2012.

Mr. Tang Chin Wan, aged 53, obtained a Doctorate degree in Industrial and Systems Engineering (Operations Research) from Virginia Polytechnic Institute and State University in 1995. Mr. Tang has worked in the environmental engineering and information technology business sectors for more than 13 years. He is currently responsible for overall management of the Group. Mr. Tang joined the Group and was appointed as an Executive Director on 22 September 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Au Shui Ming, aged 49, was appointed as an Independent Non-executive Director on 1 May 2012. Ms. Au holds a bachelor degree in Commerce, majoring in Accounting, from the University of Wollongong in Australia. She is a Certified Practising Accountant of CPA Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. Ms. Au has extensive experience in the finance and accounting fields. She was an executive director of China Digital Licensing (Group) Limited (stock code: 8175), a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Mr. Martin He, aged 50, was appointed as an Independent Non-executive Director on 27 August 2008. Mr. He obtained a Master of Finance degree at the University of Toronto as well as the Master of Management at Guangzhou Management School, and the Bachelor of International Economics degrees from the Peking University. Mr. He has extensive experience in private equity, investment banking, mining investment, corporate finance, management of listed company, as well as experience in the media industry. Mr. He is the Responsible Officer License holder for type 6 activities of the SFO. Mr. He is one of the founders and the Managing Director of Zensation Capital International Limited, a Hong Kong based business and financial consulting company which is not a listed public company. Mr. He is the committee members of the Fund Raising Committee, Hong Kong Society of Rehabilitation; founding member of Zensation Avant Charity Fund; founding member of Yau Yat Chuen Lion Club, and winner of Melvin Jones Fellow.

Mr. Wu Yinong, aged 51, was appointed as an Independent Non-executive Director on 30 December 2013. Mr. Wu graduated from Portland State University in the United States of America with a Master's degree in Business Administration in 1994. Mr. Wu is currently the Managing Director of China Investment Securities International Capital Limited. He has been in the investment banking industry for more than 16 years. Mr. Wu was an Independent Non-executive Director of Haier Electronics Group Co., Ltd. (Stock code: 1169), a company listed on the main board of the Stock Exchange from 28 January 2005 to 28 May 2013.

SENIOR MANAGEMENT

Mr. Jan Wing Fu, Barry, aged 47, is the Chief Financial Officer and company secretary of the Company (the "**Company Secretary**"). Mr. Jan is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. He obtained a bachelor's degree in business administration from the University of New Brunswick, Canada in 1989. Mr. Jan has over 23 years of solid experience in auditing, accounting, general management and financial control. Mr. Jan joined the Group on 30 December 2011 and was appointed as the Company Secretary of the Company on 1 February 2012.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained to safeguard the interests of our shareholders, investors, customers and staff.

The Company has complied with the code provisions (the "**Code Provision(s)**") of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange, except for certain deviations as specified and explained below with considered reasons for such deviations.

1. Under the Code Provision A.2.1 of the CG Code, among others, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

   During the Year and up to the date of this report hereof, the posts of chairman and chief executive were vacant. The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill, and experience be identified, the Company will make appointments to fill the posts as and when appropriate.

2. Under the Code Provision A.1.8 of the CG Code, a listed issuer should arrange appropriate insurance cover in respect of legal action against its Directors.

   During the Year under review, the Company did not arrange any insurance cover in respect of legal action against its Directors. However, since 16 January 2014, the Company had procured appropriate insurance cover for all the Directors and senior management of the Group on indemnifying their liabilities arising out of corporate activities.

3. Under the Code Provision A.6.7 of the CG Code, the Independent Non-executive Directors and Non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagements, two Independent Non-executive Directors did not attend the annual general meeting ("**AGM**") held on 21 June 2013, and one Independent Non-executive Director did not attend the extraordinary general meeting ("**EGM**") held on 28 November 2013.

   However, at the respective general meetings of the Company, there were at least two Executive Directors presented to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

4. Under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the AGM and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the AGM.

   Due to other business engagements, the chairman of the audit, remuneration, nomination did not attend the AGM.

The Board has taken remedial steps, actions and measures to make sure that the Company is in all aspects in strict compliance with the Listing Rules and the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions and dealing (the "**Code of Conduct**") by Directors on terms no less exacting than the required standard set out in Appendix 10 to Listing Rule (the "**Model Code**"). The Company has made specific enquiry of all Directors as to whether they have complied with the required standard set out in the Model Code and the Code of Conduct during the year ended 31 December 2013.

All the Directors apart from Mr. Mu Xiangming, the former Independent Non-executive Directors, have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the year ended 31 December 2013. The Company is unable to obtain the relevant confirmations from Mr. Mu Xiangming due to his resignation on 7 June 2013, and therefore is unable to fully ascertain whether the Company has complied with the required standard set out in the Model Code and Code of Conduct through the year ended 31 December 2013.

THE BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2013 and up to the date of this report, the composition of the Board was:

Executive Directors:

Mr. Siu Chi Ming
Mr. Tang Chin Wan

Independent Non-executive Directors:

Ms. Au Shui Ming
Mr. Martin He
Mr. Mu Xiangming (resigned on 7 June 2013)
Mr. Wu Yinong (appointed on 30 December 2013)

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationships among members of the Board.

The list of Directors of the Company and their roles and functions is posted on the websites of the Company, http://www.irasia.com/listco/hk/2358, and the Stock Exchange. Detailed biographies outlining each director's range of specialist experience and suitability for the successful long-term management of the Group can be found in the Section of "**Directors and Senior Management Profile**" on page 7 to the financial statements.

The Role of the Board

The Board formulates overall strategic plans and key policies of the Group, monitors its financial performance, maintains effective oversight over the management, risks assessment, controls over business operations and ensures good corporate governance and compliance with legal and regulatory requirements. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The Board delegates day-to-day operations of the Group to Executive Directors and senior management of the Company for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its senior management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Directors' Appointment, Re-election and Removal

Details of the service contracts of each Executive Directors and Independent Non-executive Directors are set out in the header of "**Directors' Service Contracts**" on page 21 of the Directors' Report.

In accordance with the Company's articles of association (the "**Article(s)**"), (i) Directors appointed by the Board to fill a casual vacancy shall hold office until the next following AGM of the Company after appointment and be subject to re-election at such meeting; and (ii) one-third of the Directors for including Executive Directors and Independent Non-executive Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) are subject to retirement by rotation at every AGM. The Directors so to retire shall be those have been longest in office since their last re-election or appointment.

Independent Non-executive Directors

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has three Independent Non-executive Directors representing more than one-third of the Board. Among the three Independent Non-executive Directors, Ms. Au Shui Ming has appropriate professional qualification in accounting and related financial management expertise as required by Rules 3.10(2) of the Listing Rules. None of the Independent Non-executive Directors is related to one another.

The Independent Non-executive Directors are persons of high calibre; with academic and professional qualifications in the fields of accounting, corporate finance and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. The Independent Non-executive Directors do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the Independent Non-executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board of the Company.

Ms. Au Shui Ming, the Independent Non-executive Director has entered into a service contract with the Company for a term of two years, subject to re-election by shareholders at the AGM of the Company at least once every three years by rotation. Mr. Martin He, the Independent Non-executive Director, has entered into a service contract with the Company for a term of six months, subject to re-election by shareholders at the AGM of the Company at least once every three years by rotation. Mr. Wu Yinong, the Independent Non-executive Director, has entered into a service contract with the Company for a term of one year, subject to re-election by shareholders at the AGM of the Company at least once every three years by rotation. No Director has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence

The Company has received the annual confirmation of independence from all existing Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company is unable to obtain the relevant confirmation of independence from Mr. Mu Xiangming due to his resignation on 7 June 2013 and therefore is unable to fully ascertain their independence through the year ended 31 December 2013.

The Board considers that Mr. Mu Xiangming is independent.

Directors' Training

According to the Code Provision A.6.5 of the CG Code, all Directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors of the Company.

Directors' training is an ongoing process. During the Year, Directors received regular updates on changes and development to the Group's business and to legislative and regulatory environments in which the Group operate. All Directors are encouraged to attend external forum or training courses on relevant topics when count towards continuous professional development training. The Directors also disclose to the Company their interests as Directors or other offices in other public companies in a timely manner and provide updates to the Company on any subsequent changes.

The record of the trainings of the Directors, on a named basis, is set out as below:

	Reading articles, newspapers, journal and/or updates	Attending trainings and/or seminars
Executive Directors		
Mr. Siu Chi Ming		✓
Mr. Tang Chin Wan	✓	
Independent Non-executive Directors		
Ms. Au Shui Ming		✓
Mr. Martin He		✓
Mr. Wu Yinong		✓

Board Meetings and Board Practices

The Board holds at least four meetings a year. The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. All Directors are invited to attend the Board meetings in person or by telephone conference.

Sufficient notices for regular Board meetings and notice of reasonable notice for non-regular Board meetings were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings. Board papers will be given to the Board before the date of the Board meeting by the Company Secretary.

If a substantial shareholder or a Director has a conflict of interest in a matter, the matter will be dealt by a physical Board meeting rather than a written resolution.

During the Year, the Board held totally eight meetings and reviewed, inter alia, the performance and formulated business strategy of the Group; reviewed and approved the annual and interim results of the Group for the year ended 31 December 2012 and 30 June 2013 respectively; approved the proposed acquisition of Soyea Jiu Rong; the Open Offer; the increase in authorized share capital of the Company; the subscription of shares by New Prime Holdings Limited ("**New Prime**") under the subscription agreement; the master agreement related to a connected transaction; and the internal control report and control procedure prepared by the independent accountants for the purpose of the resumption of trading of the shares of the Company.

The attendance records for the Directors' meetings are set out below:

	Number of Board Meetings Attended	Attendance Rate
Executive Directors		
Mr. Siu Chi Ming	8/8	100%
Mr. Tang Chin Wan	8/8	100%
Independent Non-executive Directors		
Ms. Au Shui Ming	8/8	100%
Mr. Martin He	8/8	100%
Mr. Mu Xiangming *(Note 1)*	0/8	0%
Mr. Wu Yinong *(Note 2)*	0/8	0%

Notes:

1. Mr. Mu Xiangming resigned as an Independent Non-executive Director on 7 June 2013.

2. Mr. Mu Wu Yinong was appointed as an Independent Non-executive Director on 30 December 2013.

Any Director wishing to do so in the furtherance of his or her duties, may take independent professional advice at the Company's expense. The Directors are encouraged to update their skills, knowledge and familiarity with the Group through their initial induction, ongoing participation at Board and committee meetings, and through meeting key members of management.

COMMITTEES OF THE BOARD

Audit Committee

The Company established an audit committee (the "**Audit Committee**") on 22 June 2004. On 25 April 2007, the Board adopted specific written terms of reference setting out the authority and duties of the Audit Committee, now published on the websites of the Company, http://www.irasia.com/listco/hk/2358 and the Stock Exchange.

The Audit Committee comprises three members; all of them are Independent Non-executive Directors. The Audit Committee is chaired by Ms. Au Shui Ming who possesses the accounting and related financial management expertise. The members of the Audit Committee are Mr. Martin He and Mr. Wu Yinong.

The Audit Committee acts as an important link between the Board and the Company's auditor in matters within the scope of the Group's audit. The duties of the Audit Committee are to review and discuss on the effectiveness of external audit and risk evaluation of the Company, as well as the Company's annual report and accounts, interim report and to provide advice and comments to the Board. The Audit Committee has reviewed the audited financial statements of the Group for the Year.

The Audit Committee meets regularly with the management and the external auditor to discuss the accounting principles and practices adopted by the Group and financial reporting matters. During the Year, the Audit Committee held 2 meetings to review, among others, the audited financial statements for the year ended 31 December 2012 and the unaudited financial statements for the six months ended 30 June 2013 with the recommendations to the Board for approval; and had reviewed the accounting principles and policies adopted by the Group and its system of internal control.

The attendance records for the Audit Committee meetings are set out below:

	Number of Audit Committee Meetings Attended	Attendance Rate
Independent Non-executive Directors		
Ms. Au Shui Ming	2/2	100%
Mr. Martin He	2/2	100%
Mr. Mu Xiangming *(Note 1)*	0/2	0%
Mr. Wu Yinong *(Note 2)*	0/2	0%

Notes:

1. Mr. Mu Xiangming resigned as an Independent Non-executive Director on 7 June 2013.

2. Mr. Mu Wu Yinong was appointed as an Independent Non-executive Director on 30 December 2013.

Remuneration Committee

The Company established a remuneration committee (the "**Remuneration Committee**") on 12 December 2005. On 25 April 2007, the Board adopted specific written terms of reference setting out the authority and duties of the Remuneration Committee, now published on the websites of the Company, http://www.irasia.com/listco/hk/2358 and the Stock Exchange.

The Remuneration Committee comprises four members and is chaired by Mr. Martin He (Independent Non-executive Director). The other members of the Remuneration Committee are Ms. Au Shui Ming (Independent Non-executive Director), Mr. Wu Yinong (Independent Non-executive Director) and Mr. Siu Chi Ming (Executive Director). Accordingly, the Remuneration Committee comprises a majority of Independent Non-executive Directors.

The role of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee also reviews and approves the compensation arrangements relating to dismissal or removal of Directors to ensure that such arrangements are in accordance with the relevant contractual terms or are otherwise reasonable and appropriate.

During the Year, the Remuneration Committee held 1 meeting to review the remuneration packages of all the Directors and the senior management of the Group. No Director was involved in deciding his own remuneration at the meeting of the Remuneration Committee.

The attendance records for the Remuneration Committee meeting are set out below:

	Number of Remuneration Committee Meetings Attended	Attendance Rate
Independent Non-executive Directors		
Ms. Au Shui Ming	1/1	100%
Mr. Martin He	1/1	100%
Mr. Mu Xiangming *(Note 1)*	0/1	0%
Mr. Wu Yinong *(Note 2)*	0/1	0%
Executive Director		
Mr. Siu Chi Ming	1/1	100%

Notes:

1. Mr. Mu Xiangming resigned as an Independent Non-executive Director on 7 June 2013.

2. Mr. Mu Wu Yinong was appointed as an Independent Non-executive Director on 30 December 2013.

Nomination Committee

The Company established a nomination committee (the "**Nomination Committee**") on 12 December 2005. On 25 April 2007, the Board adopted specific written terms of reference setting out the authority and duties of the Nomination Committee, now published on the websites of the Company, http://www.irasia.com/listco/hk/2358 and the Stock Exchange.

The Nomination Committee comprises three members, all of them are Independent Non-executive Director. The Nomination Committee is chaired by Mr. Wu Yinong. The other members of the Nomination Committee are Ms. Au Shui Ming and Mr. Martin He.

The role of the Nomination Committee is to review the compositions of the Board, select, identify and recommend to the Board suitable candidates to be Directors, and assess the independence of the Independent Non-executive Directors.

During the Year under review, the Nomination Committee held two meetings to review the qualifications and the performance of the current Directors and the composition of the Board, assessed the independence of the Independent Non-executive Directors and recommended to the Board on relevant matters relating to the appointment of senior management.

The attendance records for the Nomination Committee meetings are set out below:

	Number of Nomination Committee Meetings Attended	Attendance Rate
Independent Non-executive Directors		
Ms. Au Shui Ming	2/2	100%
Mr. Martin He	2/2	100%
Mr. Mu Xiangming *(Note 1)*	0/2	0%
Mr. Wu Yinong *(Note 2)*	0/2	0%

Notes:

1. Mr. Mu Xiangming resigned as an Independent Non-executive Director on 7 June 2013.

2. Mr. Mu Wu Yinong was appointed as an Independent Non-executive Director on 30 December 2013.

CORPORATE GOVERNANCE FUNCTIONS

The terms of reference on corporate governance functions was adopted by the Board on 27 December 2013. The Board is responsible for performing the following corporate governance duties with its written terms of reference:

a. to develop and review the Company's policies and practices on corporate governance and make recommendations;

b. to review and monitor the training and continuous professional development of Directors and senior management;

c. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

d. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

e. to review the Company's compliance with the "Corporate Governance Code and Corporate Governance Report" as set out in Appendix 14 of the Listing Rules and disclosure in this Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Financial Statements and Financial Reporting

The Company's financial statements for the Year have been reviewed by the Audit Committee. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditor's Remuneration

During the Year, BDO Limited was removed by the shareholders of the Company on an EGM on 4 February 2014, and ZHONGHUI ANDA CPA Limited was appointed as the auditors of the Company on 4 February 2014.

For the year ended 31 December 2013, the remuneration paid/payable to BDO Limited, the former auditors of the Company, is set as follows:

Services	**HK$'000**
Audit Fee	–
Non-audit Fee	–

For the year ended 31 December 2013, the remuneration paid/payable to ZHONGHUI ANDA CPA Limited, the auditors of the Company, is set as follows:

Services	**HK$'000**
Audit Fee	**550**
Non-audit Fee for review on internal control, services in relation to the circular for a very substantial acquisition and the prospectus for the open offer, and other services	**1,365**

Company Secretary

The Chief Financial Officer and Company Secretary, Mr. Jan Wing Fu, Barry ("**Mr. Jan**"), is responsible for facilitating the Board process, as well as the communications among the Board members, shareholders and management. Mr. Jan also prepares detailed minutes of each meeting. Board minutes would be sent to the Board for comments as soon as practicable. Mr. Jan reports directly to the Board. All Directors also have access to the advice and services of the Company Secretary to ensure that all applicable laws, rules and regulations are followed.

During the Year, Mr. Jan undertook over 15 hours of professional training to update his skills and knowledge.

Access to information

All Directors are kept informed major changes of the Group's business from time to time. They have unrestricted access to the advices from the Company Secretary who is responsible to provide the Board papers and related materials.

Minutes of Board Meeting and Board Committee meetings are kept by the Company Secretary and are open for inspection by any Director. The Directors including Independent Non-executive Directors may seek legal advices at the Company's expenses to discharge their duties.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board delegated to the management the implementation of such systems of internal controls as well as the annual review of relevant financial, operational and compliance controls and risk management procedures. The management of the Group reviewed the Group's internal control and risk management system for the Year.

SHAREHOLDERS' RIGHT

Pursuant to Article 58, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself or themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The requisition in writing should be sent to the Company's office at Suite 5005-5006, 50/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The same procedure also applies to any proposal to be tabled at shareholders' meetings for adoption. The Board will review shareholders' enquires on a regular basis. Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at the above address.

In case of shareholding enquires, shareholders should direct their enquiries to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, via its online holding enquiry at www.computershare.com/hk, or by email to hkinfo@computershare.com.hk or dial its hotline at (852) 2862-8555 or go in person at its public counter at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

INVESTOR AND SHAREHOLDER RELATION

The Board recognises the importance of good communications with its shareholders and investors. A Shareholders' Communication Policy setting out the principles of the Company in relation to shareholders' communications, with the objectives of ensuring a transparent and timely communication with shareholders via various means, has been established.

The Company's AGM is a valuable forum for the Board to communicate directly with the shareholders and to answer questions shareholders may raise. Separate resolutions are proposed at general meetings for each substantial issue, including the re-election and election of individual Directors. The detailed procedures of conducting a poll are explained to shareholders at the commencement of the AGM, to ensure that shareholders are familiar with such procedures.

The Company's last AGM was held on Friday, 21 June 2013 at 10:00 a.m. at Suite 5005-5006, 50/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. All the resolutions proposed at that meeting were approved by shareholders of the Company by poll. Details of the poll results are available on the websites of the Company, http://www.irasia.com/listco/hk/2358, and the Stock Exchange. All Directors, except Mr. Martin He and Ms. Au Shui Ming, attended the AGM held on 21 June 2013. Mr. Mu Xiangming did not attend the AGM as he resigned as an Independent Non-executive Director on 7 June 2013; and Mr. Wu Yinong did not attend the AGM as he was appointed as an Independent Non-executive Director on 30 December 2013. The Company Secretary also attended the AGM together with the external auditors, BDO Limited.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced its annual and interim results in a timely manner of the relevant periods in 2013, which fulfill the time limits as laid down in the Listing Rules.

The Directors are responsible for investor relations of the Company including holding meetings with equity research analysts, fund managers and institutional shareholders and investors. The market capitalisation of the Company as at 31 December 2013 was HK$589,000,000 (issued share capital: 3,800,000,000 shares at closing market price: HK$0.155 per share) and the public float of the Company was around 66.7%.

The 2014 AGM of the Company will be held at Suite 5005-5006, 50/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong scheduled on Thursday, 29 May 2014 at 10:00 a.m..

CONSTITUTIONAL DOCUMENTS

There was no change to the Memorandum and Articles of Association of the Company during the financial year 2013. A copy of the latest consolidated version of the Memorandum and Articles of Association of the Company is posted on the websites of the Company, http://www.irasia.com/listco/hk/2358, and the Stock Exchange.

RESUMPTION OF TRADING IN THE SHARES

Following the completion of the acquisition of 100% equity interest of Soyea Jiu Rong and the Open Offer of net proceeds of approximately HK$231,000,000, the Company's operating and financial position was significantly improved and trading of the Company's shares was resumed on 31 December 2013.

The Group will continue to focus on the two existing businesses: (i) design, assembly and installation of water meters and provision of after sales and related services; and (ii) the research and development, manufacturing and sales of digital TV, high definition liquid crystal display TV and set-top box as well as the provision of application solutions regarding integration of tele-communication, TV and internet in the digital audio visual industry. The Board believes that the two businesses will generate stable profits to the Group which can maximize shareholders' wealth.

On Behalf of the Board

Siu Chi Ming
Executive Director

Hong Kong
28 March 2014

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in Notes 1 and 20 to the consolidated financial statements, respectively.

RESULTS AND DIVIDENDS

The Group's loss for the year and the state of affairs of the Company and of the Group at 31 December 2013 are set out in the consolidated financial statements on pages 26 to 77. The Directors do not recommend the payment of any dividend for the year ended 31 December 2013.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated financial results and consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 78 of this annual report. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Details of movements in the property, plant and equipment and intangible assets of the Group during the year are set out in Notes 18 to 19 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and movements in the Company's share options during the year are set out in Notes 32 and 34 to the consolidated financial statements, respectively.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the best knowledge of the Directors, as at the date of this report, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, so far as the Directors are aware, the following persons have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 5% or more in the issued share capital of the Company, as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of substantial shareholder	Type of interests	Number of Shares	Percentage of interests
New Prime *(Note 1)*	Beneficial owner	1,000,000,000(L)	26.32%
China Water Affair Group Limited *(Note 2)*	Interest of controlled corporation	1,000,000,000(L)	26.32%
SOYEA Technology Co., Limited	Beneficial owner	266,616,000(L)	7.02%

Notes:

1. New Prime is a direct wholly owned subsidiary of China Water Affair Group Limited.

2. The interest in 1,000,000,000 shares is deemed corporate interest through New Prime.

3. The letter "L" denotes a long position and "S" denotes a short position.

Save as disclosed above, so far as was known to the Directors or chief executive of the Company, no other person (other than a Director or chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SHARE OPTION SCHEMES

On 22 June 2004, the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and the share option scheme (the "**Share Option Scheme**") were approved and adopted by the shareholders of the Company. The purpose of the Pre-IPO Share Option Scheme and the Share Option Scheme is to provide incentive and/or reward to the participants for their contribution to, and continuing efforts to promote the interests of the Company. Participants include any director, consultant, adviser, full-time or part-time employee of the Company and its subsidiaries who, in the sole discretion of the Board, has contributed or will contribute to the Group.

(a) Pre-IPO Share Option Scheme

As stipulated in the Pre-IPO Share Option Scheme, no further options can be granted under the Pre-IPO Share Option Scheme from 15 July 2004, being the date on which the Company's shares were listed on the Stock Exchange.

Pursuant to the Pre-IPO Share Option Scheme, the Company granted options to subscribe for the shares of the Company in favour of certain Directors and employees on 25 June 2004 with an exercise price of HK$1.068 per share, being the offer price for the shares of the Company allotted when dealings in the shares commenced on the Stock Exchange, at a consideration of HK$1.00 per option.

Each option has a 10-year exercise period commencing from 25 June 2004 to 24 June 2014. Within the 10- year exercise period, there is a total vesting period of four years. Commencing on the first, second, third and fourth anniversaries of the date of grant of the option, the relevant grantee may exercise up to 0%, 33%, 67% and 100%, respective of the shares comprised in his or her option (less any number of shares in respect of which the option has been previously exercised).

All options granted on the Pre-IPO Share Option Scheme were lapsed during the financial year of 2012.

(b) Share Option Scheme

As at 31 December 2013, no option has been granted under the Share Option Scheme since it was adopted by the Company on 22 June 2004. The Share Option Scheme will remain in force until 21 June 2014 subject to earlier termination by the Company in general meeting or the Board.

The total number of shares of the Company available for issue under the Share Option Scheme as at the date of this annual report was 40,000,000 shares of the Company, which represented 10% of the issued share capital of the Company.

The maximum entitlement of each participant under the Share Option Scheme is that the total number of shares issued and to be issued upon exercise of all options granted in any 12-month period up to and including the date of grant of an option shall not exceed 1% of the total number of shares in issue at the date of grant of an option, unless approved by shareholders in general meeting with such participant and his or her associates abstaining from voting. An option may be exercised during a period to be notified by the Board and in any event such period shall not be more than 10 years after the date of the grant of the option.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board, which shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles or the Companies Laws (2004 Revision) of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 33 to the consolidated financial statements and in the consolidated statement of changes in equity on page 30, respectively.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company include share premium and contributed surplus which amounted to an aggregate of approximately HK$152,764,000 as at 31 December 2013. These reserves may be distributed, provided that immediately following the date on which the dividend is proposed to be paid, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 58.0% of the total sales for the year and sales to the Group's largest customer included therein accounted for approximately 20.5% of total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 81.9% of the total purchases for the year and purchases from the Group's largest supplier included therein accounted for approximately 30.4% of total purchases for the year.

At no time during the year have the Directors, their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers and customers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Siu Chi Ming
Mr. Tang Chin Wan

Independent Non-executive Directors:

Ms. Au Shui Ming
Mr. Martin He
Mr. Mu Xiangming (resigned on 7 June 2013)
Mr. Wu Yinong (appointed on 30 December 2013)

Pursuant to Article 86(3) and 87(2), Mr. Wu Yinong shall retire from office at the forthcoming AGM of the Company, and Mr. Siu Chi Ming and Mr. Martin He shall retire from office by rotation at the forthcoming AGM of the Company in accordance with Article 87(1). All of the above retiring Directors are eligible and will offer themselves for re-election at the forthcoming AGM of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on page 7 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Siu Chi Ming, an Executive Director, has entered into a service contract with the Company on 8 February 2012 which shall continue to be effective unless terminated by three months' notice in writing served by either party on the other or payment in lieu. He is entitled to receive a director's fee of HK$10,000 per month which was determined with reference to market terms, qualifications and work experience of him, plus a discretionary year-end bonus to be determined by the Board from time to time. On 1 May 2012, the package was adjusted to HK$60,000 per month, being director fee of HK$10,000 per month and director salary of HK$50,000 per month, on a thirteen month basis for the remaining contract period after a performance review by the Company. On 27 December 2013, the package was further adjusted to HK$100,000 per month, being director fee of HK$10,000 per month and director salary of HK$90,000 per month, on a thirteen month basis for the remaining contract period.

Mr. Tang Chin Wan, an Executive Director, has entered into a service contract with the Company on 22 September 2013 for a term of one year unless terminated by three months' notice in writing served by either party on the other or payment in lieu. He is entitled to receive a director's salary of HK$10,000 per month which was determined with reference to market terms, qualification and work experience of him. On 31 December 2013, the fee was adjusted to HK$20,000 per month, on a twelve month basis for the remaining contract period after a performance review by the Company.

Ms. Au Shui Ming, an Independent Non-executive Director, has entered into a service contract with the Company on 1 May 2012 for a term of two years for an annual fee of HK$120,000.

Mr. Martin He, an Independent Non-executive Director, has entered into a service contract with the Company on 1 January 2014 for a term of six months for a monthly fee of HK$10,000.

Mr. Wu Yinong, an Independent Non-executive Director, has entered into a service contract with the Company on 30 December 2013 for a term of one year for an annual fee of HK$120,000.

Apart from the foregoing, no Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during or at the end of the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence during the year.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors had any interest in a business which competes or may compete with the businesses of the Group during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 31 December 2013, none of the Directors and Chief Executive had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Division 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in the paragraph headed "**Share Option Schemes**" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS

Save as disclosed in Note 37 "**Related Party Transactions**" to the consolidated financial statements, there was no other connected transaction of the Group that need to be disclosed pursuant to Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to adopt corporate governance practices. The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 8 to 17 of this annual report.

AUDIT COMMITTEE

The Company has an Audit Committee in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal control system and providing advice and comments to the Board. The Audit Committee consists of three Independent Non-executive Directors of the Company.

The Audit Committee of the Company has reviewed the annual results of the Group for the Year including the accounting principles and practices adopted by the Company.

AUDITOR

Messrs. BDO Limited, who had acted as the auditors of the Company in the preceding years, was removed as the auditors of the Company by the shareholders of the Company on an EGM on 4 February 2014, and Messrs. ZHONGHUI ANDA CPA Limited was appointed as the auditors of the Company on 4 February 2014, following the removal of BDO Limited as auditors of the Company.

The consolidated financial statements for the year ended 31 December 2013 have been audited by ZHONGHUI ANDA CPA Limited who will retire and being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company. A resolution will be submitted to the forthcoming AGM of the Company for the re-appointment of Messrs. ZHONGHUI ANDA CPA Limited as the auditor of the Company.

RESUMPTION OF TRADING IN THE SHARES

Following the completion of the acquisition of 100% equity interest of Soyea Jiu Rong and the Open Offer of net proceeds of approximately HK$231,000,000, the Company's operating and financial position was significantly improved and trading of the Company's shares was resumed on 31 December 2013.

On Behalf of the Board

Siu Chi Ming
Executive Director

Hong Kong
28 March 2014

Independent Auditor's Report

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF MITSUMARU EAST KIT (HOLDINGS) LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Mitsumaru East Kit (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 77, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

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

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 28 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (restated)
CONTINUING OPERATIONS			
REVENUE	8	**42,303**	17,854
Cost of sales		**(26,703)**	(11,899)
Gross profit		**15,600**	5,955
Other income and gains	9	**870**	934
Selling and distribution costs		**(4,443)**	(1,100)
Administrative expenses		**(19,607)**	(13,102)
Other operation expenses		**(77)**	(10,644)
Gain on disposal of an associate		**–**	257
Gain on disposal of subsidiaries, net		**–**	3,224
Finance costs	10	**(17,794)**	(4,312)
LOSS BEFORE TAX	11	**(25,451)**	(18,788)
Income tax expense	13	**(1,538)**	(563)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(26,989)**	(19,351)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations		**–**	32,129
(LOSS)/PROFIT FOR THE YEAR		**(26,989)**	12,778
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of buildings		**–**	2,281
Items that may be reclassified to profit or loss:			
Release of foreign currency translation reserve on disposal of subsidiaries		**–**	(8,346)
Exchange differences on translation of foreign operations		**204**	(80)
		204	(8,426)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	14	**204**	(6,145)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	15	**(26,785)**	6,633

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000 (restated)
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company			
Loss from continuing operations		**(29,071)**	(19,585)
Profit from discontinued operations		**–**	32,401
		(29,071)	12,816
Non-controlling interests			
Profit/(loss) from continuing operations		**2,082**	(310)
Profit from discontinued operations		**–**	272
		2,082	(38)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company			
Loss from continuing operations		**(28,923)**	(19,664)
Profit from discontinued operations		**–**	26,336
		(28,923)	6,672
Non-controlling interests			
Profit/(loss) from continuing operations		**2,138**	(311)
Profit from discontinued operations		**–**	272
		2,138	(39)
(LOSS)/EARNINGS PER SHARE (HK$ cents)	16		
From continuing and discontinued operations			
– Basic and diluted		**(1.67)**	0.75
From continuing operations			
– Basic and diluted		**(1.67)**	(1.15)
From discontinued operations			
– Basic and diluted		**–**	1.90

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**4,660**	750
Intangible assets	19	**8,344**	–
Goodwill	21	**16,417**	4,617
Deferred tax assets	22	**35**	–
		29,456	5,367
CURRENT ASSETS			
Inventories	23	**41,991**	2,615
Trade and notes receivables	24	**64,979**	7,111
Prepayments, deposits and other receivables	25	**14,790**	2,361
Cash and cash equivalents	26	**98,042**	2,171
		219,802	14,258
CURRENT LIABILITIES			
Trade and notes payables	27	**47,220**	1,305
Other payables and accruals	28	**22,206**	13,040
Amount due to non-controlling shareholder	29	**133**	543
Other loans	30	**761**	138,930
Derivative financial instrument	31	**–**	5,006
Tax payable		**2,349**	1,253
		72,669	160,077
NET CURRENT ASSETS/(LIABILITIES)		**147,133**	(145,819)
TOTAL ASSETS LESS CURRENT LIABILITIES		**176,589**	(140,452)
NON-CURRENT LIABILITIES			
Deferred tax liabilities	22	**2,557**	–
		2,557	–
NET ASSETS/(LIABILITIES)		**174,032**	(140,452)

	Notes	2013 HK$'000	2012 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	32	**380,000**	40,000
Reserves	33	**(208,938)**	(181,284)
		171,062	(141,284)
Non-controlling interests		**2,970**	832
TOTAL EQUITY/(DEFICITS)		**174,032**	(140,452)

The consolidated financial statements on pages 26 to 77 were approved and authorised for issue by the board of directors on 28 March 2014 and are signed on its behalf by:

Approved by:

Siu Chi Ming
Director

Tang Chin Wan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company											
	Issued capital HK$'000	Share premium* HK$'000	Pre-IPO share option reserve* HK$'000	Contribution surplus* HK$'000	Statutory surplus reserve* HK$'000	Expanding reserve* HK$'000	Building revaluation* HK$'000	Foreign currency translation reserve* HK$'000	Retained profits/ (accumulated losses)* HK$'000	Sub-Total HK$'000	Non-controlling interests ("NCI") HK$'000	Total equity HK$'000
At 1 January 2012	40,000	52,557	4,625	4,990	28,419	701	16,353	15,394	(310,995)	(147,956)	747	(147,209)
Total comprehensive income for the year	–	–	–	–	–	–	2,281	(8,425)	12,816	6,672	(39)	6,633
Share options lapsed during the year	–	–	(4,625)	–	–	–	–	–	4,625	–	–	–
Non-controlling interests arising on the acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	581	581
Release of exchange reserve relating to NCI on disposal of subsidiaries	–	–	–	–	–	–	–	(7,053)	7,053	–	–	–
Release of NCI on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(457)	(457)
Transfer of statutory surplus, expanding and building revaluation reserves	–	–	–	–	(28,419)	(701)	(18,634)	–	47,754	–	–	–
At 31 December 2012	40,000	52,557	–	4,990	–	–	–	(84)	(238,747)	(141,284)	832	(140,452)
At 1 January 2013	**40,000**	**52,557**	**–**	**4,990**	**–**	**–**	**–**	**(84)**	**(238,747)**	**(141,284)**	**832**	**(140,452)**
Issue of shares on open offer	**240,000**	**(9,682)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**230,318**	**–**	**230,318**
Issue of shares on conversion of the convertible loans	**100,000**	**10,951**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**110,951**	**–**	**110,951**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**148**	**(29,071)**	**(28,923)**	**2,138**	**(26,785)**
At 31 December 2013	**380,000**	**53,826**	**–**	**4,990**	**–**	**–**	**–**	**64**	**(267,818)**	**171,062**	**2,970**	**174,032**

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax from continuing operations	**(25,451)**	(18,788)
Profit before income tax from discontinued operations	**–**	31,905
	(25,451)	13,117
Adjustments for:		
Impairment of trade receivables, net	**–**	6,900
Interest income	**(93)**	(22)
Fair value change of a derivative financial instrument	**(204)**	145
Gain on disposal of discontinued operations, net	**–**	(62,963)
Gain on disposal of an associate	**–**	(257)
Gain on disposal of subsidiaries, net	**–**	(3,224)
Provision of impairment of other receivables	**–**	13,437
Impairments of property, plant and equipment	**–**	4,525
Reversal of impairment of an available-for-sale investment	**–**	(446)
Finance costs	**17,794**	5,871
Loss on disposal of property, plant and equipment	**–**	71
Depreciation of property, plant and equipment	**386**	3,750
Depreciation of investment property	**–**	556
Amortisation of prepaid land premiums	**–**	97
Write-down of inventories, net	**128**	5,070
	(7,440)	(13,373)
Change in inventories	**(1,421)**	2,577
Change in trade and notes receivables	**(18,025)**	28,925
Change in prepayments, deposits and other receivables	**433**	20,411
Change in trade and notes payables	**19,277**	(39,319)
Change in other payables and accruals	**(5,605)**	(2,465)
Cash used in operations	**(12,781)**	(3,244)
Income tax paid	**(933)**	–
Net cash flows used in operating activities	**(13,714)**	(3,244)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	**(107)**	(2,375)
Disposal of subsidiaries, net	**–**	(2,249)
Acquisition of subsidiaries	**(70,681)**	(6,100)
Interest received	**93**	22
Net cash flows used in investing activities	**(70,695)**	(10,702)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New other loans from third parties		**290,150**	15,588
Repayment of other loans from third parties		**(324,157)**	(15,418)
Repayment of bank loans		**–**	(36,502)
New bank loans		**–**	42,700
Proceeds from issue of shares		**240,000**	–
Share issue expenses paid		**(9,682)**	–
Repayment of advances from the controlling beneficial shareholder, net		**–**	(65)
Repayment of advances from the non-controlling shareholder		**(410)**	–
Interest on bank/other loans		**(15,832)**	(2,479)
Net cash flows generated from financing activities		**180,069**	3,824
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**95,660**	(10,122)
Cash and cash equivalents at beginning of year		**2,171**	12,662
Net foreign exchange difference		**211**	(369)
Cash and cash equivalents at end of year		**98,042**	2,171
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**98,042**	2,171

1. GENERAL INFORMATION

Mitsumaru East Kit (Holdings) Limited (the "Company") is a public limited liabilities company incorporated in the Cayman Islands. Its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Suite 5005–5006, 50/F., Central Plaza, No. 18 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 20 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

a. Amendments to HKAS 1"Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 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 amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group's subsidiaries in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

c. HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

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

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial liabilities which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combination and goodwill *(continued)*

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Plant and machinery	10%–20%
Office equipment	10%–30%
Motor vehicles	15%–25%

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(h) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

(l) Convertible loans

Convertible loans which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and derivative components of the convertible loans based on the allocation of proceeds to the liability and derivative components on initial recognition.

(m) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(i) Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(ii) Interest income is recognised on a time-proportion basis using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Taxation *(continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(s) Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Related parties *(continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business in different geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(u) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Impairment of assets *(continued)*

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(w) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 and 2012 was HK$ 16,417,000 and HK$4,617,000 respectively. The details are described in note 21 to the consolidated financial statements.

(b) *Property, plant and equipment and depreciation*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) *Impairment of trade and notes receivables, deposits and prepayments*

Impairment of trade and notes receivables, deposits and prepayments is made based on an assessment of the recoverability of trade and notes receivables, deposits and prepayments. The assessment of impairment of receivables, deposits and prepayments involves the use of estimates and judgments. An estimate for doubtful debts is made when collection of the full amount is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying amount of trade and notes receivables, deposits and prepayments and thus the impairment loss in the period in which such estimate is changed.

(d) *Estimated write-down of inventories*

The Group writes down inventories to net realisable value based on the current market conditions and the historical experience of selling inventory items with similar nature. Any change in the assumptions would increase or decrease the amount of inventory write-down or the related reversal of write-down made in prior years and affect the Group's net assets value. The Group recognised an inventory write-down of approximately HK$128,000 for the year (2012: HK$5,070,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

During the reporting period, the capital structure of the Group consist of debt which includes interest-bearing loans and equity attributable to owners of the Company, comprising issued share capital and reserves. The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The Group's overall strategy remains unchanged from prior periods.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and cash equivalents, trade and notes receivables, other receivables, trade and bills payables, other payables, other loans and derivative financial instrument.

Risk management is carried out by the finance department which is led by the Group's executive directors. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The board regularly reviews these risks and they are summarised below.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Interest rate risk

The Group currently does not have an interest rate hedging policy and will consider enter into interest rate hedging should the need arise.

In addition, the Group does not consider that it has any significant exposure to the risk of changes in market interest rates from its bank deposits as a reasonably possible change of 25 basis points in the interest rates would have no material impact on the Group's consolidated profit or loss for the years ended 31 December 2013 and 2012.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Credit risk

The carrying amount of the cash and bank balances and trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to director's approval. Receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is not significant.

At the end of the reporting period, the Group had a certain concentration of credit risk as 73% (2012: 56%) of the total trade receivables was due from the Group's five largest customers. Details of the credit quality of the trade receivables that are neither past due nor impaired were set out in note 24 to the consolidated financial statements.

Cash and cash equivalents are deposits at banks with sound credit ratings. Given their high credit ratings, the Group does not expect to have any associated credit risk.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity profile of the Company's financial liabilities as at the end of reporting period, based on the contracted undiscounted payments, was as follows:

2013	**On demand HK$'000**	**Less than 3 months HK$'000**	**3 to 12 months HK$'000**	**Total HK$'000**
Trade and notes payables	**47,220**	**–**	**–**	**47,220**
Other payables and accruals	**22,206**	**–**	**–**	**22,206**
Amounts due to non-controlling interests	**133**	**–**	**–**	**133**
Other loans	**761**	**–**	**–**	**761**
	70,320	**–**	**–**	**70,320**

2012	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	Total HK$'000
Trade and notes payables	1,305	–	–	1,305
Other payables and accruals	11,544	–	1,496	13,040
Amounts due to non-controlling interests	543	–	–	543
Other loans	7	–	142,570	142,577
	13,399	–	144,066	157,465

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(e) Categories of financial instruments

	At 31 December	
	2013	2012
	HK$'000	HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)		
– Trade and notes receivables	**64,979**	7,111
– Financial assets included in prepayments, deposits and other receivables	**14,790**	1,780
– Cash and cash equivalents	**98,042**	2,171
	177,811	11,062
Financial liabilities:		
Financial liabilities at fair value through profit or loss		
Held for trading		
– Derivative financial instrument	**–**	5,006
Financial liabilities at amortised cost		
– Trade and notes payables	**47,220**	1,305
– Other payables, accrued expenses and deposits received	**22,206**	13,040
– Amounts due to non controlling interest	**133**	543
– Other loans	**761**	138,930
	70,320	158,824

(f) Fair value

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MANAGEMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 inputs: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

8. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents the net invoiced value of goods sold upon delivery of goods, after allowances for returns and trade discounts and business/sales tax where applicable.

(a) Reportable segments

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two (2012: three) reportable segments. The segments are managed separately as each business segment offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Continuing operations

– Water meter – Design, assembling and installation of water meter.

– TV Business: manufacturing and sales of digital television ("TV"), high definition liquid crystal display TV and set-top box as well as provision of application of solutions regarding integration of tele-communication, TV and internet in the digital audio visual industry.

8. REVENUE AND OPERATING SEGMENT INFORMATION *(continued)*

(a) Reportable segments *(continued)*

Discontinued operations

– Design and assembly – the design of the chassis of colour televisions, assembling of colour televisions and the trading of related components;

– Trading – Trading of components related to colour televisions;

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit or loss that is used by the chief operating decision-maker for assessment of segment performance.

(i) Business segments

	For the year ended 31 December 2013		
	Water meter HK$'000	**TV Business HK$'000**	**Total HK$'000**
Reportable segment revenue:			
Sales to external customers	**42,303**	**–**	**42,303**
Intersegment sales	**–**	**–**	**–**
Total revenue	**42,303**	**–**	**42,303**
Reportable segment profit	**9,026**	**–**	**9,026**
Interest expenses	**(4)**	**–**	**(4)**
Depreciation of property, plant and equipment	**(371)**	**–**	**(371)**
Property, plant and equipment from acquisition of a subsidiary	**–**	**4,171**	**4,171**
Additions to property, plant and equipment	**107**	**–**	**107**
	At 31 December 2013		
Reportable segment assets	**30,348**	**179,435**	**209,783**
Reportable segment liabilities	**(19,546)**	**(44,456)**	**(64,002)**

8. REVENUE AND OPERATING SEGMENT INFORMATION *(continued)*

(a) Reportable segments *(continued)*

(i) *Business segments* (continued)

	For the year ended 31 December 2012				
	Continuing operation	Discontinued operations			
	Water meter HK$'000	Design and assembly HK$'000	Trading HK$'000	Sub-total HK$'000	Total HK$'000
Reportable segment revenue:					
Sales to external customers	17,854	86,728	20,379	107,107	124,961
Intersegment sales	–	(26,450)	(551)	(27,001)	(27,001)
Total revenue	17,854	60,278	19,828	80,106	97,960
Reportable segment profit/(loss)	1,476	(29,721)	(1,316)	(31,037)	(29,561)
Interest expenses	(85)	(1,424)	(135)	(1,559)	(1,644)
Depreciation of property, plant and equipment	(297)	(3,370)	(58)	(3,428)	(3,725)
Depreciation of investment property	–	(556)	–	(556)	(556)
Amortisation of prepaid land premiums	–	(97)	–	(97)	(97)
Impairment of property, plant and equipment	–	(4,525)	–	(4,525)	(4,525)
Write-down of inventories	–	(5,070)	–	(5,070)	(5,070)
Impairment of trade receivables	–	(6,900)	–	(6,900)	(6,900)
Impairment of other receivables	(1,596)	(2,770)	(56)	(2,826)	(4,422)
Property, plant and equipment from acquisition of a subsidiary	414	–	–	–	414
Additions to property, plant and equipment	570	1,679	–	1,679	2,249
	At 31 December 2012				
Reportable segment assets	17,332	–	–	–	17,332
Reportable segment liabilities	(9,689)	–	–	–	(9,689)

8. REVENUE AND OPERATING SEGMENT INFORMATION *(continued)*

(a) Reportable segments *(continued)*

(ii) *Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:*

	2013 **HK$'000**	2012 HK$'000
Year ended 31 December		
Revenue		
Reportable segment revenue	**42,303**	124,961
Revenue from discontinued operations	**–**	(80,106)
Elimination of inter-segment revenue	**–**	(27,001)
Consolidated revenue	**42,303**	17,854
Loss before income tax and discontinued operations		
Reportable segment profit/(loss)	**9,026**	(29,561)
Segment loss from discontinued operations	**–**	31,037
Unallocated corporate expenses	**(16,687)**	(16,037)
Unallocated finance costs	**(17,790)**	(4,227)
Consolidated loss before income tax from continuing operation	**(25,451)**	(18,788)

	2013 **HK$'000**	2012 HK$'000
At 31 December		
Assets		
Reportable segment assets	**209,783**	17,332
Unallocated cash and cash equivalents	**33,419**	1,010
Other unallocated corporate assets	**6,056**	1,283
Consolidated total assets	**249,258**	19,625
Liabilities		
Reportable segment liabilities	**(64,002)**	(9,689)
Other loans	**–**	(138,194)
Derivative financial instrument	**–**	(5,006)
Unallocated tax payable	**(690)**	(690)
Unallocated corporate liabilities	**(10,534)**	(6,498)
Consolidated total liabilities	**(75,226)**	(160,077)

8. REVENUE AND OPERATING SEGMENT INFORMATION *(continued)*

(b) Geographical information

The Group is domiciled in the PRC. The following tables provide an analysis of the Group's revenue from external customers and non-current assets other than financial instruments ("Specified non-current assets").

	Revenue from external customers	
	2013	2012
	HK$'000	HK$'000
Continuing operations		
PRC	**42,303**	17,854
Discontinued operations		
Brazil	**–**	4,243
Hong Kong	**–**	6,281
PRC	**–**	57,370
Russia	**–**	12,212
	–	80,106
	42,303	97,960

	Specified non-current assets	
	2013	2012
	HK$'000	HK$'000
PRC	**20,588**	5,303
Hong Kong	**8,868**	64
	29,456	5,367

(c) Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue is set out below:

		2013	2012
Continuing operations	**Segment**	**HK$'000**	HK$'000
Customer A	Water meter	**8,744**	–
Customer B	Water meter	**4,991**	–

9. OTHER INCOME AND GAINS

	2013 HK$'000	2012 HK$'000
Bank interest income	**93**	14
Fair value change of a derivative financial instrument	**204**	(145)
Management fee	**240**	900
Others	**333**	165
	870	934

10. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest expenses on borrowings wholly repayable within five years:		
– Interest on loans from third parties	**15,122**	2,316
– Imputed interest on loan from New Prime (note 31)	**1,962**	1,996
– Interest on outstanding consideration payable for acquisition of a subsidiary	**710**	–
	17,794	4,312

11. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2013 HK$'000	2012 HK$'000
Cost of inventories sold	**26,703**	11,742
Staff costs (including directors' remuneration):		
Wages and salaries	**8,583**	3,669
Pension scheme contributions		
– Defined contribution scheme	**215**	262
Other staff benefits	**1,207**	–
	10,005	3,931
Auditors' remuneration	**550**	569
Depreciation of items of property, plant and equipment	**386**	3,750
Minimum lease payments under operating lease in respect of		
– Land and buildings	**1,947**	1,445
Exchange losses, net	**77**	1
Provision for inventories	**128**	5,070
Impairment of other receivables	**–**	10,611

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

(a) Directors' and senior management's emoluments

	Notes	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Contributions to retirement scheme HK$'000	Total emoluments HK$'000
		For the year ended 31 December 2013			
Executive directors:					
Mr. Siu Chi Ming		**120**	**6,568**	**15**	**6,703**
Mr. Tang Chin Wan		**120**	**–**	**–**	**120**
Independent non-executive directors:					
Ms. Au Shui Ming		**120**	**–**	**–**	**120**
Mr. Martin He		**120**	**–**	**–**	**120**
Mr. Wu Yinong	(i)	**–**	**–**	**–**	**–**
Mr. Mu Xiangming	(ii)	**52**	**–**	**–**	**52**
		532	**6,568**	**15**	**7,115**

	Notes	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Contributions to retirement scheme HK$'000	Total emoluments HK$'000
		For the year ended 31 December 2012			
Executive directors:					
Mr. Siu Chi Ming		107	454	8	569
Mr. Tang Chin Wan		–	140	–	140
Mr. Leung Koon Sing		–	210	–	210
Independent non-executive directors:					
Mr. Mu Xiangming	(ii)	125	–	–	125
Mr. Martin He		128	–	–	128
Mr. Kwong Ping Man	(iii)	50	–	–	50
Ms. Au Shui Ming		80	–	–	80
		490	804	8	1,302

Notes:

(i) Appointed on 30 December 2013

(ii) Resigned on 7 June 2013

(iii) Resigned on 30 April 2012

(iv) The post of chief executive was vacant during the year 2013 and 2012. There was no emoluments paid or payable to chief executive who is not a director during the year (2012: Nil).

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

(b) Five highest paid individual emoluments

Two (2012: three) of the five highest paid individuals of the Group were the directors whose emolument are set out in the above. For the year ended 31 December 2013, the remaining three (2012: two) employees' emoluments of the Group were as follows:

	2013 HK$'000	2012 HK$'000
Salaries, allowances and other benefits in kind	**1,056**	1,118
Contributions to pension scheme	**34**	7
	1,090	1,125

Their emoluments fell within the following bands:

	Number of employees	
	2013	2012
Emolument band:		
Nil – HK$1,000,000	**3**	2

(c) No emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31 December 2013 and 2012.

13. INCOME TAX EXPENSE

No provision of Hong Kong Profits Tax has been provided in the consolidated financial statements as the Group incurred losses for the current and prior years in Hong Kong.

PRC corporate income tax is calculated at a standard rate of 25% (2012: 25%) on the estimated assessable profits arising from its operation in the PRC.

The amount of income tax expenses includes in profit or loss represents:

	2013 HK$'000	2012 HK$'000
Current – the PRC		
– Charge for the year	**2,112**	563
– Over-provision in prior years	**(574)**	–
	1,538	563

13. INCOME TAX EXPENSE *(continued)*

The income tax expenses for the year can be reconciled to the loss for the year multiplied by applicable tax rate as follows:

	2013 HK$'000	2012 HK$'000
Loss before tax	**(25,451)**	(18,788)
Tax calculated at the domestic tax rate of 16.5% (2012: 16.5%)	**(4,199)**	(3,100)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**774**	125
Tax effect of revenue not taxable for tax purposes	**(172)**	(587)
Tax effect of expenses not deductible for tax purposes	**3,914**	3,513
Tax effect of tax losses not recognised	**1,795**	431
Tax effect of temporary differences not recognised	**–**	398
Over-provision in prior years	**(574)**	–
Utilisation of tax losses not recognised previously	**–**	(217)
Income tax expenses	**1,538**	563

At 31 December 2013, the Group has unused tax losses of approximately HK$35,295,000 (2012: HK$24,416,000) available indefinitely for offset against future profits. No deferred tax asset (2012: Nil) has been recognised in respect of such tax losses, due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

14. OTHER COMPREHENSIVE INCOME

Tax effects and reclassification adjustments relating to each component of other comprehensive income:

	2013			2012		
	Before-tax amount HK$'000	**Tax expenses HK$'000**	**Net-of-tax amount HK$'000**	Before-tax amount HK$'000	Tax expenses HK$'000	Net-of-tax amount HK$'000
Reclassification of exchange fluctuation reserve on disposal of subsidiaries	**–**	**–**	**–**	(8,346)	–	(8,346)
Exchange differences on translating foreign operations	**204**	**–**	**204**	(80)	–	(80)
Gain on revaluation of buildings	**–**	**–**	**–**	2,678	(397)	2,281
	204	**–**	**204**	(5,748)	(397)	(6,145)

15. TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company for the year ended 31 December 2013 includes a loss of HK$30,804,000 (2012: HK$13,178,000), which has been dealt with in the financial statements of the Company (note 33).

16. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of HK$29,071,000 (2012: profit of HK$12,816,000) and the weighted average number of 1,737,733,000 (2012: 1,709,091,000 as adjusted to reflect the open offer in December 2013) ordinary shares in issue during the year.

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to owners of the Company is based on the loss for the year from continuing operations of HK$29,071,000 (2012: HK$19,585,000) and the denominators detailed above in respect of weighted average number of ordinary shares.

From discontinued operations

The calculation of the basic earning per share from discontinued operations attributable to owners of the Company is based on the profit for the year from discontinued operations of HK$Nil (2012: HK$32,401,000) and the denominators detailed above in respect of weighted average number of ordinary shares.

(b) Diluted (loss)/earnings per share

The effect of all potential ordinary shares are anti-dilutive for the year ended 31 December 2013 and 2012.

17. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2013 and 2012.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Leasehold improvement HK$'000	Total HK$'000
As at 31 December 2013						
COST:						
At 1 January 2013	–	497	24	107	425	1,053
Additions	–	5	89	13	–	107
Acquisition of a subsidiary (note 35)	–	3,555	66	550	–	4,171
Exchange realignment	–	35	2	4	14	55
At 31 December 2013	–	4,092	181	674	439	5,386
ACCUMULATED DEPRECIATION AND IMPAIRMENTS LOSS:						
At 1 January 2013	–	144	2	12	145	303
Provided during the year	–	114	18	26	228	386
Exchange realignment	–	25	–	4	8	37
At 31 December 2013	–	283	20	42	381	726
CARRYING AMOUNTS:						
At 31 December 2013	–	3,809	161	632	58	4,660
As at 31 December 2012						
COST/VALUATION:						
At 1 January 2012	44,466	37,344	10,884	34,245	–	126,939
Transfer from investment property	11,545	–	–	–	–	11,545
Additions	–	1,767	24	159	425	2,375
Acquisition of a subsidiary	–	409	–	5	–	414
Disposal	–	–	–	(107)	–	(107)
On revaluation	908	–	–	–	–	908
Exchange realignment	(67)	(28)	(14)	(51)	–	(160)
Derecognised on disposal of subsidiaries	(56,852)	(38,995)	(10,870)	(34,144)	–	(140,861)
At 31 December 2012	–	497	24	107	425	1,053
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS:						
At 1 January 2012	–	32,353	8,143	28,173	–	68,669
Provided during the year	1,793	924	460	428	145	3,750
Eliminated on disposal	–	–	–	(36)	–	(36)
Impairment loss	–	1,801	222	2,502	–	4,525
Eliminated on revaluation	(1,793)	–	–	–	–	(1,793)
Exchange realignment	–	(22)	(11)	(42)	–	(75)
Eliminated on disposal of subsidiaries	–	(34,912)	(8,812)	(31,013)	–	(74,737)
At 31 December 2012	–	144	2	12	145	303
CARRYING AMOUNTS:						
At 31 December 2012	–	353	22	95	280	750

19. INTANGIBLE ASSETS

	2013 HK$'000	2012 HK$'000
Cost at 1 January	–	–
Acquisition of a subsidiary (note 35)	8,344	–
At 31 December	8,344	–

Intangible asset represented customers relationship which was expected to generate revenues and profit to the business. The intangible asset has been assessed to have weighted average useful lives of five years.

The Group carried out reviews of the recoverable amount of its intangible assets in 2013. The Group's intangible assets are used in the Group's TV Business cash generating unit. The recoverable amount of the relevant assets has been determined based on a value in use calculation using cash flow projections based on the financial budgets approved by the management covering a 5 year period. Key assumptions used by the management in the value in use calculations of the cash cash-generating unit include budgeted gross profit margin. The pre-tax discount rate used for estimating the value in use is 15.27%.

No impairment loss on intangible assets has been recognized for the year ended 31 December 2013 as a result of the impairment test (2012: HK$Nil).

20. SUBSIDIARIES

Particulars of the Company's major subsidiaries are set out below:

Company name	Place of incorporation/ registration	Nominal value of issued and paid-up share/ registered paid-up capital	Percentage of equity interests attributable to the Company	Principal activities
Directly held:				
Mitsumaru East Kit (Group) Limited	Hong Kong	HK$1	100%	Investment holding
Ace Earn Limited	Hong Kong	HK$1	100%	Investment holding
Indirectly held:				
Wuhan Sunbow Science & Technology Co., Limited* ("Sunbow")	the PRC	RMB3,000,000	72.50%	Design, assembly and installation of water meter
Soyea Jiu Rong Technology Co., Limited* ("Soyea Jiu Rong")	the PRC	RMB90,000,000	100%	TV Business

* The English names are for identification only

20. SUBSIDIARIES *(continued)*

The following table shows information of a subsidiary that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	**Sunbow**	
	2013	2012
Principal place of business and country of registration	**PRC**	
% of ownership interests and voting rights held by NCI	**27.50%**	27.50%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**441**	686
Current assets	**29,907**	12,031
Current liabilities	**(19,546)**	(9,689)
Net assets	**10,802**	3,028
Accumulated NCI	**2,970**	832
Year ended 31 December:		
Revenue	**42,303**	17,854
Profit for the year	**7,572**	913
Total comprehensive income/(loss)	**204**	(80)
Profit allocated to NCI	**2,082**	251
Net cash (used in)/generated from operating activities	**(1,018)**	959
Net cash used in investing activities	**(109)**	(669)
Net cash generated from financing activities	**130**	736
Net (decrease)/increase in cash and cash equivalents	**(997)**	1,026

As at 31 December 2013, the bank and cash balances of the these subsidiaries in the PRC denominated in Renminbi ("RMB") amounted to HK$165,000 (2012: HK$1,162,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

21. GOODWILL

	2013	2012
	HK$'000	HK$'000
At cost:		
At beginning of the reporting period	**4,617**	–
Acquisition of a subsidiary (note 35)	**11,800**	4,617
At end of the reporting period	**16,417**	4,617

21. GOODWILL *(continued)*

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	TV Business		Water meter		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Goodwill	**11,800**	–	**4,617**	4,617	**16,417**	4,617

Impairment testing of goodwill

TV Business cash-generating unit

The amount of goodwill is allocated to the cash-generating unit within the TV Business segment. Goodwill is tested for impairment by the management by estimating the recoverable amount of this cash-generating unit based on value in use calculation.

As at 31 December 2013, the value in use calculation uses cash flow projections based on the financial budgets approved by the management covering a 5 year period. Key assumptions used by the management in the value in use calculation of the cash-generating unit include budgeted gross profit margin. The pre-tax discount rate used for estimating the value in use is 15.27%.

The assumptions have been determined based on past performance and management's expectations in respect of the TV Business market in the PRC.

The management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

Water meter business cash-generating unit

The amount of goodwill is allocated to the cash-generating unit within the water meters business segment. Goodwill is tested for impairment by the management by estimating the recoverable amount of this cash-generating unit based on value in use calculation.

As at 31 December 2013, the value in use calculation uses cash flow projections based on the financial budgets approved by the management covering 1 year. Key assumptions used by the management in the value in use calculations of these cash-generating units include budgeted gross profit margin. No discount rate had been applied to the cash flow projection.

The assumptions have been determined based on past performance and management's expectations in respect of the water meters market in the PRC.

The management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

No impairment loss has been recognised for the year ended 31 December 2013 as a result of the impairment test (2012: HK$Nil).

22. DEFERRED TAX

The movements in deferred tax assets are as follows:

	Temporary difference HK$'000
Acquisition of a subsidiary (note 35) and at 31 December 2013	35

The movements in deferred tax liabilities are as follows:

	Buildings revaluation reserve HK$'000	Fair value adjustments arising from acquisition of a subsidiary HK$'000	Total HK$'000
At 1 January 2012	4,646	–	4,646
Credit to profit or loss from discounted operations	(224)	–	(224)
Charged to other comprehensive income	397	–	397
Exchange realignments	(7)	–	(7)
Eliminated on disposal of subsidiaries	(4,812)	–	(4,812)
At 31 December 2012 and 1 January 2013	–	–	–
Acquisition of a subsidiary (note 35)	–	2,557	2,557
At 31 December 2013	–	2,557	2,557

23. INVENTORIES

	2013 HK$'000	2012 HK$'000
Raw materials	**18,949**	1,266
Work in progress	**762**	–
Finished goods	**22,280**	1,349
	41,991	2,615

24. TRADE AND NOTES RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables	**48,971**	7,111
Notes receivables	**16,008**	–
	64,979	7,111

The Group's trading terms with its customers are mainly on credit, except for the new customers, where payment in advance is normally required. The credit period generally ranges from 15 to 185 days (2012: 60 to 90 days). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

24. TRADE AND NOTES RECEIVABLES *(continued)*

An aged analysis of trade receivables, as at the end of the reporting periods based on the goods delivery date, and net of impairments, is as follows:

	2013 **HK$'000**	2012 HK$'000
Within 90 days	**36,779**	5,418
91 days to 180 days	**10,037**	957
181 days to 1 year	**214**	487
Over 1 year	**1,941**	249
	48,971	7,111

Movements in provision for impairment of trade receivables are as follows:

	2013 **HK$'000**	2012 HK$'000
At 1 January	**–**	159,566
Impairment losses recognised	**–**	6,900
Derecognised on disposal of subsidiaries	**–**	(166,466)
At 31 December	**–**	–

The ageing of trade and notes receivables which are past due but not impaired are as follows:

	2013 **HK$'000**	2012 HK$'000
Less than 1 month past due	**5,120**	159
1 to 3 months past due	**294**	398
More than 3 months but less than 12 months past due	**214**	229
Over 1 year past due	**1,941**	103
	7,569	889

Receivables that were past due but not impaired relate to a number of customers that have good settlement records with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancement over these receivables.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Details of the prepayments, deposits and other receivables are as follows:

	2013 HK$'000	2012 HK$'000
Prepayments	**9,546**	94
Loan to Kitking Group (note a)	**–**	1,596
Deposits and other receivables	**5,244**	11,270
	14,790	12,960
Less: impairment	**–**	(10,599)
	14,790	2,361

Note a: Kitking Group represented the design and assembly segment and the trading segment operated by Kitking Global Limited and its subsidiaries, Mitsumaru (Holdings) Limited, East Kit Electronic (China) Co., Limited, East Kit Electronic (Shanghai) Co., Limited and Shenzhen Mitsumaru Electronic Co., Limited, which the Group disposed in year 2012. The loan was secured by the entire interest in a subsidiary of Kitking Group and guarantees from the controlling beneficial shareholder and a third party. The loan bore interest at fixed rate of 7.2% per annum and payable in August 2013.

Movements in provision for impairment of deposits and other receivables are as follows:

	2013 HK$'000	2012 HK$'000
At 1 January	**10,599**	571
Impairment losses recognised	**–**	13,437
Derecognised on disposal of subsidiaries	**–**	(3,408)
Bad debts written off	**(10,599)**	–
Exchange realignments	**–**	(1)
At 31 December	**–**	10,599

The above provision for impairment of deposits and other receivables was made fully on balances of individually impaired deposits and other receivables. The balances are unsecured and interest-free.

Other than the aforementioned impaired other receivables, none of the above balances are past due nor impaired as there was no recent history of default by the counterparties.

26. CASH AND CASH EQUIVALENTS

	2013 HK$'000	2012 HK$'000
Cash and bank balances	**98,042**	2,171

At the end of reporting period, cash and bank balances of the Group denominated in RMB amounted to approximately HK$64,463,000 (2012: HK$1,162,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

27. TRADE AND NOTES PAYABLES

	2013 HK$'000	2012 HK$'000
Trade payables	**32,734**	1,305
Notes payables	**14,486**	–
	47,220	1,305

An aged analysis of trade payables, based on the invoice date, is as follows:

	2013 HK$'000	2012 HK$'000
Outstanding balances with ages:		
Within 180 days	**30,738**	1,067
181 days to 1 year	**1,037**	72
1 to 2 years	**959**	166
	32,734	1,305

28. OTHER PAYABLES AND ACCRUALS

	2013 HK$'000	2012 HK$'000
Advances from customers	**5,819**	4,011
Other tax payables	**2,272**	295
Salary payable	**5,259**	930
Others	**8,856**	7,804
	22,206	13,040

29. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDER

The advances are unsecured, interest-free and repayable on demand.

30. OTHER LOANS

	2013 HK$'000	2012 HK$'000
Unsecured other loans and repayable within one year from:		
Interest bearing:		
– Non-controlling beneficial shareholder of a subsidiary (note (a))	**761**	736
– A third party (note (b))	**–**	10,000
– A third party (note (c))	**–**	4,000
– A third party (note (d))	**–**	5,000
Non-interest bearing:		
– Controlling beneficial shareholder (note (e))	**–**	7
Secured other loans and repayable within one year from:	**761**	19,743
Interest bearing:		
– Third parties (note (f))	**–**	15,000
– New Prime (note 31)	**–**	104,187
	–	119,187
	761	138,930

30. OTHER LOAN *(continued)*

Notes:

(a) The loan from the non-controlling beneficial shareholder of a subsidiary of the Company is unsecured, bore interest at a fixed rate of 5.76% per annum and is repayable on 16 June 2012. On 16 June 2012, the maturity date of the loan was extended to 31 December 2013. As at 31 December 2013, the loan is still outstanding. The Group has entered into an extension agreement with the non-controlling beneficial shareholder on 1 January 2014 to extend the maturity date to 30 June 2014.

(b) Pursuant to a promissory note issued by the Group to an independent third party in September, 2012, the Group obtained a loan with principal amount of HK$10,000,000. This promissory note was unsecured, bore interest at a fixed rate of 2% per annum and is repayable on 31 December 2012. On 31 December 2012, the maturity date of the loan was extended to 31 December 2013. The loan was fully settled as at 31 December 2013.

(c) Pursuant to a promissory note issued by the Group to an independent third party in August, 2010, the Group obtained a loan with principal amount of HK$20,000,000. This promissory note was unsecured, bore interest at a fixed rate of 2% per annum and is repayable within one year. During the years of 2011 and 2012, the Group repaid the principal amounts of HK$7,000,000 and HK$9,000,000 respectively. On 31 December 2012, the Group agreed with the independent third party to extend the maturity date of the remaining balance of the loan to 31 December 2013. On 1 April 2013, the interest rate of the loan was revised from 2% to 8% per annum for the remaining period of the loan. The loan was fully settled as at 31 December 2013.

(d) Pursuant to promissory notes issued by the Group to an independent third party in October and December, 2012, the Group obtained certain loans with principal amounts of HK$5,000,000. These promissory notes were unsecured, bore interest at a fixed rate of 10% per annum and are repayable in October and December 2013. The loans were fully settled as at 31 December 2013.

(e) The loans were unsecured and repayable within one year.

(f) On 30 July 2010, the Company entered into a loan agreement with an independent third party, Kingston Finance Limited ("Kingston"). Pursuant to the agreement, Kingston agreed to provide a loan of HK$15,000,000 to the Company, which is secured by a charge over 224,000,000 shares of the Company (the "Charged Shares") beneficially owned by Z-Idea Company Limited ("Z-Idea"), which is wholly and beneficially owned by Mr. Zhang Shuyang ("Mr. Zhang"), and a personal guarantee given by Mr. Zhang. The Company also undertakes and procures Z-Idea to ensure that the Charged Shares shall not at any time be less than 56% of the total issued share capital of the Company, and Z-Idea to refrain from exercising any voting rights or such other action to approve or agree to any new issue of shares of the Company or such other activity which would have the effect of diluting the Charged Shares without the prior consent of Kingston, failing which the loan will immediately become due and payable. The loan was initially interest bearing at a fixed rate of 12% per annum. On 30 June 2011, the loan was renewed and the interest rate was revised from 12% to 8% per annum. On 19 October 2012, the maturity date of the loan was extended to 31 December 2013. The loan was fully settled as at 31 December 2013.

31. CONVERTIBLE LOAN AND DERIVATIVE FINANCIAL INSTRUMENT

On 1 December 2010, (i) the Company as the borrower and New Prime Holdings Limited ("New Prime"), a wholly owned subsidiary of China Water Affairs Group Limited as the lender entered into a loan agreement ("Loan Agreement") and pursuant to which New Prime agreed to make available to the Company a loan up to a principal amount of HK$100,000,000 in cash (the "Loan"); (ii) the Company as the borrower and New Prime as the lender entered into a debenture ("Debenture") as a security for the repayment of the Loan; and (iii) the Company as the issuer and New Prime as the subscriber entered into a subscription agreement ("Subscription Agreement") setting out the terms and conditions of the subscription of new shares of the Company (the "Subscription") by New Prime, pursuant to which the Company had agreed to issue and New Prime had agreed to subscribe for 1,000,000,000 new shares of the Company (the "Subscription Shares"), at a subscription price of HK$0.10 per Subscription Share upon and subject to the terms and conditions set out in the Subscription Agreement.

31. CONVERTIBLE LOAN AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

Pursuant to the Loan agreement, New Prime has an overriding right of repayment on demand of the Loan after six months from the date of draw down, which was 2 June 2011. With the six supplemental letters dated on 30 June 2011, 6 December 2011, 19 June 2012, 27 December 2012, 28 June 2013 and 30 October 2013, New Prime agreed to extend the long stop date to 30 June 2014 or such later date as may be agreed between New Prime and the Company.

Completion of the Subscription is conditional upon, inter alia:

(a) The Stock Exchange having granted or stated that it will grant (either unconditionally or subject only to conditions to which the Company and New Prime do not reasonably object) approval for (i) the resumption of trading of the Company's shares (the "Resumption of Trading"); and (ii) the listing of and permission to deal in the Subscription Shares;

(b) The Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (the "Executive") granting a waiver by the Executive pursuant to Note 1 of the notes on dispensation from Rule 26 of the Hong Kong Code on Takeovers and Mergers from the obligation of New Prime (together with its concert parties), to make a general offer for all of the Company's shares not already owned or agreed to be acquired by them as a result of subscribing for the Subscription Shares) (the "Whitewash Waiver"); and

(c) The passing by the Company's shareholder(s) other than Mr. Zhang and his associates and the Company's shareholders who are involved in or interested in (other than solely as a Company shareholder) the Subscription Agreement, the Open Offer and the Whitewash Waiver or the respective transactions contemplated therein (the "Independent Shareholders") by way of a poll at the extraordinary general meeting ("EGM") of a resolution approving the issue of the Subscription Shares, the Whitewash Waiver and the increase in authorised share capital of the Company in accordance with the Listing Rules.

In other words, upon fulfilment of the conditions precedent of the Subscription Agreement including, inter alia, approval for the Resumption of Trading, the New Prime is obliged to complete the Subscription.

Pursuant to the supplemental letter entered into by the Company and New Prime on 30 October 2013, the conditions precedent of the Subscription Agreement involving the Whitewash Waiver were deleted and completion of the Subscription Agreement was made conditional upon the allotment and issue of the offer shares under the new open offer (note 32(b)) having taken place simultaneously with or immediately before completion of the Subscription Agreement.

According to the Debenture, all assets of the Company and the Group were pledged to New Prime by way of a fixed and floating charge for the loan. Following the disposal of Kitking Group during year 2012, a consent letter was obtained from New Prime in respect of releasing the pledge over certain assets that were disposed through the disposal of Kitking Group under the Debenture.

The Group determined that the Loan will not result in settlement by the exchange of a fixed amount of cash for a fixed number of the Company's shares. In accordance with requirement of HKAS 32, the bond contracts are separated into two components: a compound derivative component consisting of the conversion option, and a liability component consisting of the straight debt element.

31. CONVERTIBLE LOAN AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

The proceeds received from the issue of the convertible loan notes have been split between the liability and derivative components as follows:

	HK$'000
Nominal value of convertible loan notes issued	93,919
Derivative component	6,081
	100,000

The liability component of the Loan recognised in the statements of financial position of the Group is calculated as follows:

	HK$'000
Liability component at 1 January 2012	102,191
Interest expenses	1,996
Liability component at 31 December 2012 and 1 January 2013	104,187
Interest expenses	1,962
Conversion of convertible loan	(106,149)
Liability component at 31 December 2013	–

Interest expense on the Loan is calculated using the effective interest method by applying an effective interest rate of 1.82% (2012: 1.93%) to the liability component.

All conditions set out in the Subscription Agreement have been fulfilled and the Subscription has been completed on 27 December 2013. The convertible loan was converted to 1,000,000,000 ordinary shares of the Company at HK$0.1 per share.

The derivative component is measured at its fair value at the date of issue, at the end of each reporting period and at the date of conversion. The fair values are estimated using Binominal Option Pricing Model (level 2 fair value measurements). The key assumptions used are as follows:

	At 27 December 2013 (Date of conversion)	**At date of issue**
Weighted average share price	HK$0.94	HK$0.94
Weighted average exercise price	HK$0.10	HK$0.10
Expected volatility	50.37%	65.29%
Expected life	37 months	7 months
Risk free rate	0.13%	0.33%
Expected dividend yield	Nil	Nil

31. CONVERTIBLE LOAN AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

The movements in the derivative financial instrument recognised in the statements of financial position of the Group are as follows:

	HK$'000
Fair value at 1 January 2012	4,861
Change in fair value charged to profit or loss	145
Fair value at 31 December 2012 and 1 January 2013	5,006
Change in fair value charged to profit or loss	(204)
Conversion of convertible loan	(4,802)
Fair value at 31 December 2013	–

32. SHARE CAPITAL

Ordinary shares of HK$0.1 each	**Number of shares**	HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 January 2012 and 31 December 2012	1,000,000,000	100,000
Increase during the year (note (a))	4,000,000,000	400,000
At 31 December 2013	5,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 January 2012 and 31 December 2012	400,000,000	40,000
Issue of shares on open offer (note (b))	2,400,000,000	240,000
Issue of shares on conversion of the convertible loans (note (c))	1,000,000,000	100,000
At 31 December 2013	3,800,000,000	380,000

(a) By an ordinary resolution passed on 12 November 2013 the authorised ordinary share capital of the Company was increased from HK$100,000,000 to HK$500,000,000 by the creation of 4,000,000,000 shares of HK$0.1 each, such new shares ranking pari passu in all respects with the existing shares of the Company.

(b) On 21 August 2013, the Company and Yue Xiu Securities Company Limited (the "Underwriter") entered into an underwriting agreement, whereby the Company proposed to raise HK$240,000,000, before expenses, by way of the open offer of 2,400,000,000 shares at the offer price of HK$0.1 per offer share on the basis of six offer shares for every one existing share held on the record date. The Open Offer was duly passed by the shareholders by way of poll at the by an ordinary resolution passed on 28 November 2013.

On 27 December 2013, 2,400,000,000 offer shares were issued at HK$0.1 per offer share. Share issue expenses of HK$9,682,000 were debited to the Company's share premium account.

(c) As disclosed in note 31, the subscription has been completed on 27 December 2013 and 1,000,000,000 ordinary shares at HK$0.1 were issued on 27 December 2013.

33. RESERVES

Group

(a) Contributed surplus

The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

(b) Statutory surplus reserve

In accordance with the relevant regulation in the PRC, the subsidiaries operating in the PRC are required to transfer 10% of their profits after tax, as determined under the accounting regulations in the PRC, to the statutory surplus reserve, until the balance of the fund reaches 50% of their respective registered capital. The statutory surplus reserve and the expansion reserve are non-distributable, and are subject to certain restrictions set out in the relevant regulations in the PRC. These reserves can be used either to offset against accumulated losses or be capitalised as paid-up capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of paid-up capital after the above mentioned usages.

Company

The amounts of the Company's reserves and the movements therein for the year ended 31 December 2013 are as follows:

	Share premium HK$'000	Pre-IPO share option reserve HK$'000	Contribution surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	52,557	4,625	98,938	(328,598)	(172,478)
Total comprehensive loss for the year	–	–	–	(13,178)	(13,178)
Share options lapsed during the year	–	(4,625)	–	4,625	–
At 31 December 2012	**52,557**	**–**	**98,938**	**(337,151)**	**(185,656)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(30,804)**	**(30,804)**
Issue of shares on open offer	**(9,682)**	**–**	**–**	**–**	**(9,682)**
Issue of shares on conversion of the convertible loans	**10,951**	**–**	**–**	**–**	**10,951**
At 31 December 2013	**53,826**	**–**	**98,938**	**(367,955)**	**(215,191)**

34. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 22 June 2004, the Company approved and adopted a share option scheme (the "Scheme") and a pre-IPO share option scheme (the "Pre-IPO Scheme"). The purpose of these two schemes is to provide incentives and/or rewards to any director, consultant, advisor person including full-time or part-time employee of the Company and its subsidiaries, at the sole discretion of the board, for their contribution to, and their continuing efforts to promote the interests of the Company. The schemes became effective on 22 June 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Scheme

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent to, upon their exercise, 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, are subject to approval in advance by the Independent Non-Executive Directors. In addition, any share options granted to a substantial shareholder or an Independent Non-Executive Director of the Company, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the year, at 31 December 2012 and 2013 and up to the date of approval of these financial statements, no share options have been granted under the Scheme.

34. SHARE OPTION SCHEME *(continued)*

The Pre-IPO Scheme

The purpose and the principal terms of the Pre-IPO Scheme, approved and adopted by the Company's shareholders on 22 June 2004, are substantially the same as the purpose and the terms of the Scheme except that:

(i) The subscription price per share shall be the price of each share issued under the public offering, that is, HK$1.068 per share;

(ii) The maximum number of shares which may be issued upon the exercise of all options granted under the Pre-IPO Scheme shall be 35,000,000 shares; and

(iii) Save for the options which have been granted but have not lapsed, cancelled or exercised in full under the Pre-IPO Scheme as set out below, no further options will be offered or granted under the Pre-IPO Scheme after the day immediately prior to the listing of the Company's shares on the Stock Exchange.

On 25 June 2004, options to subscribe for 35,000,000 shares at an exercise price of HK$1.068 were granted by the Company under the Pre-IPO Scheme to a total of 91 employees of the Company at a consideration of HK$1.00 per option under the Pre-IPO Scheme.

No share option was outstanding under the Pre-IPO Scheme as at 31 December 2013. The following share options were outstanding under the Pre-IPO Scheme during the year ended 31 December 2012:

	2012	
	Weighted average exercise price HK$	Number of options '000
At 1 January	1.068	18,760
Lapsed during the year	1.068	(18,760)
At 31 December		–

No share option expenses is recognised during the year ended 31 December 2013 (2012: Nil).

35. ACQUISITION OF A SUBSIDIARY

On 20 August 2013, the Group entered into a sale and purchase agreement in relation to the acquisition of the entire equity interest in Soyea Jiu Rong at a consideration of RMB105,000,000 (equivalent to approximately HK$134,979,000). Soyea Jiu Rong is a limited liability company incorporated in the PRC and is principally engaged in the research and development, manufacturing and sales of digital television ("TV"), high definition liquid crystal display TV and set-top box as well as provision of application of solutions regarding integration of tele-communication, TV and internet in the digital audio visual industry. The acquisition was completed on 19 December 2013.

The fair value of the identifiable assets and liabilities of Soyea Jiu Rong acquired as at its date of acquisition is as follows:

Net assets acquired:	HK$'000
Intangible asset	8,344
Deferred tax assets	35
Property, plant and equipment	4,171
Inventories	38,083
Trade and notes receivables	39,843
Prepayments, deposits and other receivables	12,862
Bank and cash balances	64,298
Trade and other payables	(41,409)
Current tax liabilities	(491)
Deferred tax liabilities	(2,557)
	123,179
Goodwill	11,800
	134,979
Satisfied by:	
Cash consideration	
Net cash outflow arising on acquisition:	
Cash consideration paid	134,979
Cash and cash equivalents acquired	(64,298)
	70,681

35. ACQUISITION OF A SUBSIDIARY *(continued)*

The fair value of the trade and other receivables acquired is HK$52,705,000. The gross amount due under the contracts is HK$52,705,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill arising on the acquisition of Soyea Jiu Rong is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination

Since the acquisition, Soyea Jiu Rong made no significant contribution to the revenue and result of the Group.

If the acquisition had been completed on 1 January 2013, total Group revenue for the year would have been HK$119,083,000, and loss for the year would have been HK$14,139,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is intended to be a projection of future results.

36. COMMITMENTS

Commitments under operating leases

As lessee

During the year ended 31 December 2013, the Group leased its office properties under operating lease arrangements which were negotiated for terms of one to three years. At 31 December 2013, the Group's minimum lease obligation under non-cancellable operating leases in respect of land and buildings are as follows:

	2013 **HK$'000**	2012 HK$'000
Within one year	**823**	1,812
In the second to fifth years, inclusive	**–**	823
	823	2,635

37. RELATED PARTY TRANSACTIONS

(a) Key management compensation

The compensation of key management personnel is disclosed in note 12 to the consolidated financial statements.

(b) Included in trade receivables of the Group are amounts due from subsidiaries of China Water Affairs Group Limited (a substantial shareholder of the Company since 27 December 2013) totalling approximately HK$15,763,000 (2012: HK$Nil).

(c) Included in other payables and accruals of the Group are amounts due from certain shareholders totalling approximately HK$99,000 (2012: HK$99,000). The balances are unsecured, interest-free and have no specific terms of repayment.

(d) Included in prepayments, deposits and other receivables of the Group are amounts due from subsidiaries of China Water Affairs Group Limited totalling approximately HK$5,537,000 (2012: HK$Nil). The balances are unsecured, interest-free and have no specific terms of repayment.

(e) The accommodation expenses paid for the controlling beneficial shareholder of HK$Nil (2012: HK$600,000) were charged to the profit or loss for the year included under the administrative expenses.

* The English names are for identification only

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	49	64
Investments in subsidiaries	–	–
	49	64
CURRENT ASSETS		
Prepayments, deposits and other receivables	1,132	1,120
Amounts due from subsidiaries	148,364	2,553
Cash and cash equivalents	25,705	995
	175,201	4,668
CURRENT LIABILITIES		
Other payables and accruals	9,751	6,498
Other loans	–	138,194
Derivative financial instrument	–	5,006
Tax payable	690	690
	10,441	150,388
NET CURRENT ASSETS/(LIABILITIES)	164,760	(145,720)
TOTAL ASSETS LESS CURRENT LIABILITIES	164,809	(145,656)
NET ASSETS/(LIABILITIES)	164,809	(145,656)
EQUITY		
Issued capital	380,000	40,000
Reserves	(215,191)	(185,656)
TOTAL EQUITY/(DEFICITS)	164,809	(145,656)

39. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2014.

Five Year Financial Summary

The following is a summary of the published consolidated results from continuing operations and a discontinued operation and consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years.

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
Turnover	**42,303**	17,854	–	–	–
Loss before income tax	**(25,451)**	(18,788)	(21,159)	(7,243)	(48,833)
Income tax expenses	**(1,538)**	(563)	–	–	–
Loss for the year from continuing operations	**(26,989)**	(19,351)	(21,159)	(7,243)	(48,833)
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	**–**	32,129	(6,102)	(43,135)	(39,374)
Profit/(Loss) for the year	**(26,989)**	12,278	(27,261)	(50,378)	(88,207)
Profit/(Loss) attributable to:					
Owners of the Company	**(29,071)**	12,816	(27,175)	(49,749)	(88,564)
Non-controlling interests	**2,082**	(38)	(86)	(629)	357
	(26,989)	12,778	(27,261)	(50,378)	(88,207)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**249,258**	19,625	191,958	233,526	164,598
Total liabilities	**(75,226)**	(160,077)	(339,167)	(352,995)	(234,726)
Non-controlling interests	**(2,970)**	(832)	(747)	(774)	(1,377)
	171,062	(141,284)	(147,956)	(120,243)	(71,505)