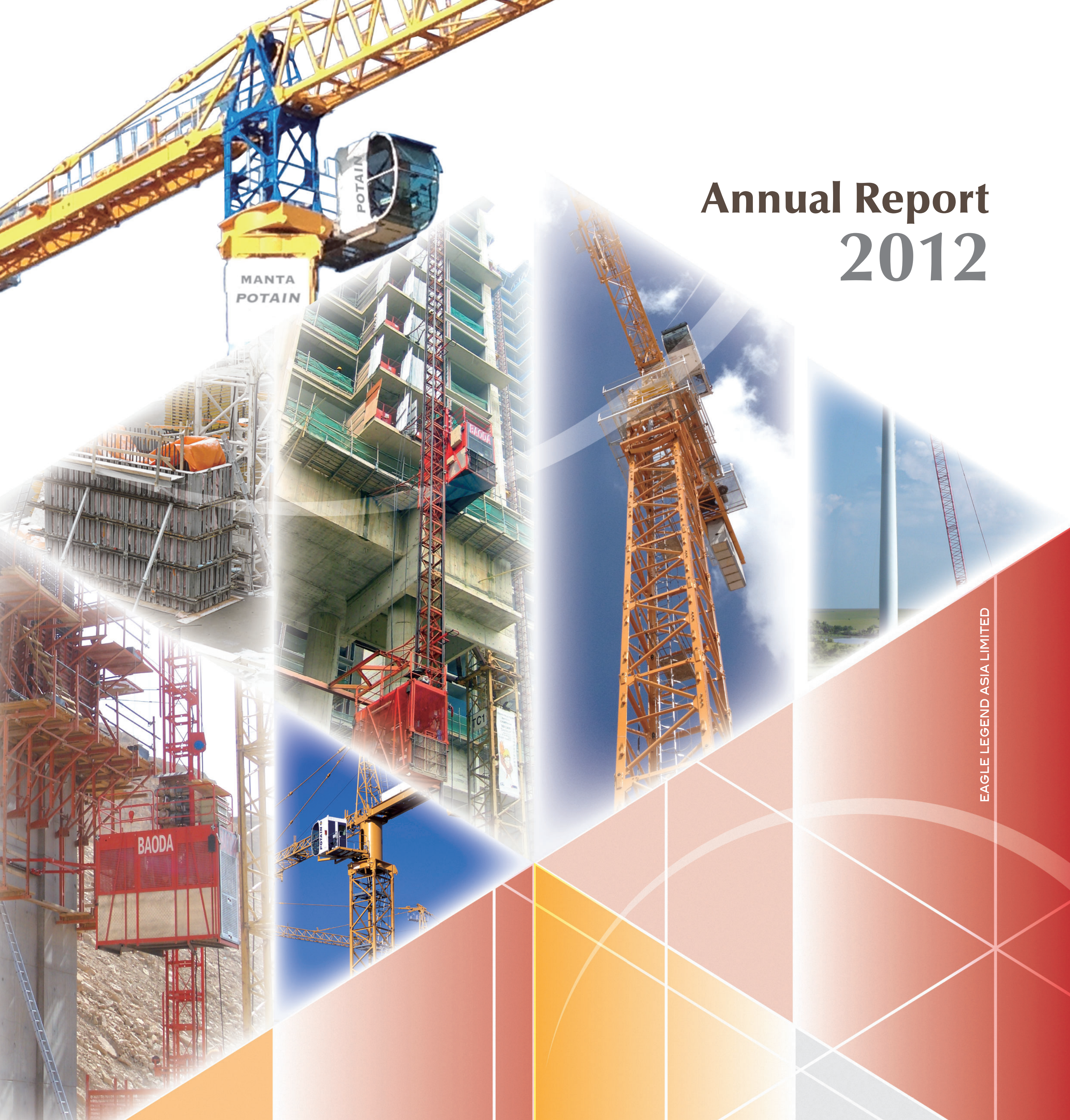
EAGLE LEGEND ASIA

EAGLE LEGEND ASIA LIMITED

鵬程亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 936)



Annual Report 2012

EAGLE LEGEND ASIA LIMITED

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. So Chung *(Chairman)*
Ms. So Man

NON-EXECUTIVE DIRECTOR

Mr. Lam Woon Kun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Lo Miu Sheung Betty
Mr. Chan Mo
Mr. Ho Gar Lok

COMPANY SECRETARY

Mr. Wong Ka Bong

AUTHORISED REPRESENTATIVES

Mr. So Chung
Mr. Wong Ka Bong

PRINCIPAL BANKERS

Hong Kong
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
Singapore
United Overseas Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS

Appleby Trust (Cayman) Limited
Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

AUDIT COMMITTEE

Mr. Ho Gar Lok *(Chairman)*
Mr. Lam Woon Kun
Ms. Lo Miu Sheung Betty

REMUNERATION COMMITTEE

Ms. Lo Miu Sheung Betty *(Chairman)*
Ms. So Man
Mr. Ho Gar Lok

NOMINATION COMMITTEE

Mr. So Chung *(Chairman)*
Ms. Lo Miu Sheung Betty
Mr. Ho Gar Lok

REGISTERED OFFICE

Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6A, Winbase Centre
208–220 Queen's Road Central
Hong Kong

AUDITOR

BDO Limited

WEBSITE

http://www.elasialtd.com

STOCK CODE

936

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual results of Eagle Legend Asia Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012.

The rebound of global economic performance in the second half of 2012 coupled with the buoyant construction sector activities in our core operating countries have contributed to our continuous growth in our crane trading and rental businesses in the year under review.

The Hong Kong economy improved significantly during the second half of 2012. As China loosened its monetary policy and global demand picked up, albeit slowly, Hong Kong witnessed a surge in its stock market and a rebound in its various economic segments. The Chief Executive of the government of Hong Kong Special Administrative Region, in his 2013 Policy Address, promised 67,000 new private sector flats in the next 3-4 years and reiterated plans for 75,000 public rental housing flats together with 17,000 home ownership scheme flats to come onto the market in the next five years. The market started to regain its momentum and confidence in 2012.

Notwithstanding Singapore's gross domestic product ("GDP") growth slowed to 1.3% in 2012 mainly due to weakness in the externally-oriented sectors, the overall GDP was supported by a buoyant construction sector which grew 8.2% in 2012. Public sector was the key demand driver in 2012 contributing approximately 60% of the total construction demand. The support came from the continued strong public housing developments, as well as construction demand for institutional building and civil engineering projects.

In 2012, the Group recorded a total revenue of HK$201.1 million, represented an increase of 30.5% from that of HK$154.1 million recorded in the previous year. The crane fleet of the Group was expanded by 25% to 166 cranes as at 31 December 2012 for rental business. Our Singapore operation's trading transaction also recorded a 35.7% growth over last year.

As a result of the increased revenue and improved gross profit, loss before income tax improved from HK$3.5 million to HK$0.6 million. Nevertheless, the financial loss for the year increased slightly from HK$1.2 million recorded in the previous year to HK$2.0 million due to tax expense of HK$1.4 million in 2012 compared to a tax credit of HK$2.4 million in 2011.

The Group will continue to strengthen its crane fleet to cater for the continuous increase in rental demand in both Hong Kong and Singapore. We will continue to refine our operations to maintain our established market reputation for service excellence so as to enhance the long term competitiveness of the Company.

With the existing operating scale and platform, the Company is eager to expand our distributorship and rental business into other construction equipment. We believe that substantial cost synergy can be realized as a result of an addition of similar but niche line of equipment trading and rental businesses. In Hong Kong, we are looking into selling and renting of passenger hoist system and the relevant equipment for use in construction sites.

The performance of the Company is contributed by the dedicated efforts of our management and staff and the strong support from all sectors of the business community. On behalf of the board (the "Board") of directors of the Company (the "Directors"), I would like to express our sincere appreciation to all the Company's stakeholders for your support over the years and look forward to your continued support for the future.

So Chung
Chairman

Hong Kong
22 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL REVIEW

Overall performance

For the year ended 31 December 2012, the Group generated revenue of approximately HK$201.1 million (2011: approximately HK$154.1 million) with a loss for the year of approximately HK$2.0 million (2011: approximately HK$1.2 million).

Business Review

For the year ended 31 December 2012, the Group recorded a revenue of approximately HK$201.1 million against approximately HK$154.1 million achieved in the previous year.

The increase in revenue for the year under review was attributable to a higher level of sale of machinery which recorded a revenue of approximately HK$47.4 million, representing an increase of approximately 31.7% against approximately HK$36.0 million achieved in 2011.

Meanwhile, our rental business recorded revenue of approximately HK$124.2 million for the year ended 31 December 2012, representing an increase of approximately 30.2% as compared to that of approximately HK$95.4 million in 2011. Revenue from rental operations was thanks to the increase in construction activities in both Hong Kong and Singapore during 2012. An addition of 33 cranes net was added to our fleet which represented a growth of approximately 24.8% of our fleet size. Due to the buoyant demand for cranes, the existing crane utilization rate also increased substantially to over 80% in Singapore and 70% in Hong Kong.

The sale of spare parts and service income recorded revenue of approximately HK$29.6 million for the year, representing an increase of approximately 29.8% as compared to that of approximately HK$22.8 million for the same period in 2011. The demand for service and spare parts increased in line with the growing demand in the Group's machinery sale and rental activities.

Dividend

The Directors do not recommend the payment of any dividends for the year ended 31 December 2012.

Financial review

Results for the Year

As detailed in the section headed "Business Review" above, the Group's overall revenue increased in the year under review as compared to last year. As a result of the increased revenue and improved gross profit, loss before income tax improved from approximately HK$3.5 million to approximately HK$0.6 million. Nevertheless, the financial loss for the year increased slightly from approximately HK$1.2 million recorded in the previous year to approximately HK$2.0 million due to tax expense of approximately HK$1.4 million in 2012 compared to a tax credit of approximately HK$2.4 million in 2011.

For expanding the operating scale, the Group added 33 cranes in the current year and the number of its employees increased to 111 in 2012. Accordingly, the depreciation charges and staff costs for the current year increased by approximately HK$6.5 million and HK$7.5 million respectively, as compared to the amounts for the previous year. The increase in imputed interest of bonds of approximately HK$6.9 million also resulted in the change of the Group's performance for the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The Group held cash and cash equivalents of approximately HK$125.7 million (2011: approximately HK$25.2 million). Improved cash level was principally due to issuance of bonds of HK$100 million by the Group. The total equity of the Group maintained stable at approximately HK$198.0 million as at 2012 financial year end (2011: approximately HK$193.7 million).

Capital Structure

Pursuant to the completion of sale and purchase of 75% of the entire issued share capital of the Company on 2 April 2012 and as at 31 December 2012, the immediate and ultimate holding company of the Company were Eagle Legend International Holdings Limited and Constant Success Holdings Limited respectively.

On 10 October 2012, 600,000,000 shares of the Company of HK$0.01 each (each a "Share") were issued under the bonus issue on the basis of three bonus shares for every one Share held by the qualifying shareholders on 4 October 2012.

Investment Position and Planning

During the year under review, the Group spent approximately HK$116.0 million for acquisition of plant and equipment (2011: approximately HK$150.9 million).

Save as disclosed above, the Group did not have any significant acquisition or disposal of subsidiaries and associated companies during the year under review.

Pursuant to the resolution passed in the board of management's meeting of Manta-Vietnam Construction Equipment Leasing Limited dated 10 January 2013, the board of management resolved to liquidate the company.

On 25 January 2013, an indirect wholly-owned subsidiary of the Company entered into the sale and purchase agreement with an independent third party to dispose of 15% equity interest in 深圳能科達機械工程有限公司 (for identification purpose, in English, Shenzhen Nectar Engineering & Equipment Co., Ltd.).

Change of Company Name

On 26 September 2012, the English and Chinese name of the Company has been changed to "Eagle Legend Asia Limited" and "鵬程亞洲有限公司" respectively.

Gearing

The Group monitors capital using a gearing ratio, which is total debts (sum of bonds payable, bank borrowings and finance lease payables) divided by total equity. The gearing ratio was 1.5 as at 31 December 2012 (2011: 0.7). The increase in gearing ratio is resulted from the increase in finance lease payables of approximately HK$45.9 million principally for acquisition of plant and equipment for developing the Group's business and the issuance of bonds of HK$100 million to subscribers in the current year.

Pledge of Assets

The Group's banking facilities were secured by the assets of the Group, including bank deposits, land and building carried at fair value, building carried at cost and plant and machinery, with aggregated carrying amounts of approximately HK$78.2 million (2011: approximately HK$66.2 million). The bonds of HK$100 million were secured by the equity interest of certain subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

Exchange Rate Exposure

As at 31 December 2012, more than half of the revenue and part of assets and liabilities of the Group were denominated in currencies other than Hong Kong dollar. In particular, the revenue generated from our rental operations in Singapore is primarily denominated in Singapore dollar. Purchases of tower cranes, spare parts and accessories from suppliers were usually denominated in Euro or United States dollar. For foreign currency purchases, hedging arrangements to hedge against foreign exchange fluctuations may be entered. However, no hedging arrangement was undertaken for revenue generated from our Singapore operation.

Treasury Policies

The Group generally finances its ordinary operations with internally generated resources or banking facilities. The interest rates of most of the borrowings and finance lease arrangement, if applicable, are charged by reference to prevailing market rates.

Contingent Liabilities

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities.

Commitments

The Group had capital commitments, which are contracted but not provided for, in respect of purchase of plant and machinery amounting to approximately HK$1.1 million as at 31 December 2012 (2011: approximately HK$4.0 million).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2012, the Group had a total of 111 (2011: 99) employees in Hong Kong, Singapore and Vietnam. The Group has not had any significant problems with its employees or disruptions due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff. The Group remunerates its employees based on industry practices. Its staff benefits, welfare and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities.

FUTURE PROSPECTS

The recovery of the Asian economy since 2012 has encouraged private investment to continue to invest in, amongst everything, the private property market. Both the internal user needs and investment demand for private housing in Hong Kong and Singapore are expected to be sustainable over the next few years. Both the government of Hong Kong and Singapore are determined and committed to certain long term plans. The Chief Executive of the government of Hong Kong Special Administrative Region, in his 2013 Policy Address, promised to make available certain land for public housing in order to provide the living space to cater for needs from the lower income group. It is expected that public housing supply will increase from 15,000 to 20,000 flats annually starting 2015. In Singapore, the government has set aside land to build 700,000 units of apartments for years until 2030 when the population is expected to hit close to 6.9 million in accordance with the population and immigration policy being adopted by the Singapore government. This translates into approximately 40,000 units of apartments a year.

On top of the demand for housing, the infrastructure projects in both Hong Kong and Singapore, and the dockyard business in Singapore will continue to grow. All these have been addressed to in various governmental policies and strategic papers issued to the public. The Group therefore anticipates that the construction industry in Hong Kong and Singapore will continue to be blooming in next couples of years, so will the demand for cranes be. To capture this favorable business opportunity, the Board will continue to seek potential investment opportunities to diversify the business portfolios and to create synergistic value via leveraging on the existing scale as well as streamlining the operating platform so as to improve the business performance of the Group.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. So Chung, aged 30, was appointed as an Executive Director and the Chairman of the Board with effect from 13 March 2012. Mr. So is also a chairman of the nomination committee of the Company, an authorized representative of the Company under each of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 333 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and directors of various subsidiaries of the Group.

Mr. So was a manager and research analyst of Kingston Corporate Finance Limited and Kingston Securities Limited respectively. Both companies are the subsidiaries of Kingston Financial Group Limited, shares of which are listed on the Stock Exchange (stock code: 1031). Mr. So holds a bachelor degree in Economics from Simon Fraser University, Canada.

Mr. So and Ms. So Man, an Executive Director, are siblings. He is also a cousin of Mr. Lam Woon Kun, a Non-executive Director.

Ms. So Man, aged 28, was appointed as an Executive Director with effect from 13 March 2012. Ms. So is also a member of the remuneration committee of the Company and directors of various subsidiaries of the Group.

Ms. So has been working as general manager of Chinawide Securities Limited and Vinson Finance Limited since October 2010 and is actively involved in securities brokerage and money lending business, project financing, human resources management, and general office administration. She is currently a director of Vinson Finance Limited. Chinawide Securities Limited is a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities and Vinson Finance Limited is a licensed money lender mainly engaged in money lending business in Hong Kong. Ms. So graduated from the Fashion Institute of Design & Merchandising in the United States of America.

Ms. So and Mr. So Chung, an Executive Director and the Chairman of the Board, are siblings. She is also a cousin of Mr. Lam Woon Kun, a Non-executive Director.

NON-EXECUTIVE DIRECTOR

Mr. Lam Woon Kun, aged 37, was appointed as a Non-executive Director with effect from 13 March 2012. Mr. Lam is also a member of the audit committee of the Company and an authorized representative of the Company under Section 333 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

Mr. Lam is a licensed person under the SFO permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities. He is currently a director and responsible officer of Chinawide Securities Limited, and has over 8 years of experience in securities trading services. Mr. Lam was also involved in the business of silver and watch manufacturing and wholesale from 2004 to 2010.

Mr. Lam is a cousin of Mr. So Chung, an Executive Director and the Chairman of the Board, and Ms. So Man, an Executive Director.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Lo Miu Sheung Betty, aged 50, was appointed as an Independent Non-executive Director with effect from 13 March 2012. Ms. Lo is also the chairman of the remuneration committee of the Company and member of each of the audit committee and the nomination committee of the Company.

Ms. Lo is a qualified solicitor in Hong Kong and has over 24 years of experience in general legal practice, with specialisation in conveyancing, commercial and probate laws. She has been in active practice since qualification and is currently a consultant of Messrs. K.C. Ho & Fong, Solicitors. Ms. Lo graduated from The University of Hong Kong with a bachelor degree in Laws (LL.B.) in 1985. She also holds a Postgraduate Certificate in Laws (PCLL).

Ms. Lo was an independent non-executive director of each of Kong Sun Holdings Limited (stock code: 295) and Wah Lee Resources Holdings Limited (now known as Kai Yuan Holdings Limited) (stock code: 1215).

Mr. Chan Mo, **JP**, aged 52, was appointed as an Independent Non-executive Director with effect from 13 March 2012.

Mr. Chan is a businessman engaged in golf and related business in the PRC. He was appointed as a Justice of the Peace under Section 3(1)(b) of the Justices of the Peace Ordinance (Cap. 510) on 1 July 2011. Mr. Chan was also a member of the 10th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference and a director of Tung Wah Group of Hospitals for the year 2010/2011. He is currently an honorary life president of Hong Kong Island Chaoren Association Limited.

Mr. Ho Gar Lok, aged 29, was appointed as an Independent Non-executive Director with effect from 13 March 2012. Mr. Ho is also the chairman of the audit committee of the Company and a member of each of the remuneration committee and the nomination committee of the Company.

Mr. Ho is the audit principal of Paul W.C. Ho & Company. He graduated from the University of Birmingham, England with a bachelor degree in Accounting and Finance. Mr. Ho is a member of the Hong Kong Institute of Certified Public Accountants. He previously worked in an international accounting firm before joining Paul W.C. Ho & Company.

SENIOR MANAGEMENT

Mr. Quek Chang Yeow, aged 49, is the Chief Executive Officer. Mr. Quek joined Manta Singapore since 1999 as Operations Manager. He was promoted to the General Manager of the Group in January 2003 and was subsequently appointed as the Chief Operation Officer of Manta Singapore in April 2006. In January 2010, Mr. Quek was appointed as the Chief Executive Officer of Manta Singapore and Manta Hong Kong. He is mainly responsible for overall business strategy, development and management of the Group's operations. Mr. Quek has over 30 years of experience in the construction equipment business. Prior to joining Manta Singapore in 1999, he was a Service Manager of a construction equipment provider in Singapore.

Mr. Lo Chun Fai, aged 46, is the Executive Director of Manta Hong Kong and Manta Singapore. Mr. Lo joined Manta Group in January 2013 and is primarily responsible for the finance, human resources and administration functions of Manta's operations in Hong Kong and Singapore. He spent 7 years with PricewaterhouseCoopers Hong Kong in providing consulting services to a wide range of corporate clients investing in the PRC. Subsequent to this, Mr. Lo held various senior management positions in various industries and organizations. Prior to joining Manta, he was the Finance Director of Quality HealthCare Medical Services Limited. Mr. Lo obtained his Bachelor Degree in Economics (major in Accounting and Finance) from Monash University, Australia. He is a Fellow member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Lo Hang I, aged 44, is the Financial Controller of Manta Hong Kong. Ms. Lo joined Manta Hong Kong in May 2004 and is currently responsible for financial reporting, financial planning, human resources and administrative matters of Manta Hong Kong and its subsidiaries. She is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining Manta Hong Kong, Ms. Lo spent approximately 10 years as an Accountant in a US listed company which was primarily engaged in automation building system. Before that, she was a Senior Accounting Officer in an engineering firm in Hong Kong from March 2003 to May 2004. Ms. Lo graduated from the Open University of Hong Kong with a bachelor degree in business administration in 1997.

Mr. Ku Koon Wah, aged 60, is the General Manager of Manta Hong Kong and its subsidiaries. Mr. Ku joined Manta Hong Kong in 1977 as a parts controller and was promoted to manager position in 1985. He is currently responsible for the Group's tower crane trading and rental operations in Hong Kong and Macau with a main focus on sales, marketing and operations. Mr. Ku graduated from the Hong Kong Polytechnic with a higher certificate in business studies in 1981.

Mr. Lin Chi Fai, aged 48, is the Deputy General Manager of Manta Rental Hong Kong. Mr. Lin joined Manta Hong Kong as a shipping clerk in June 1989 and was promoted to senior manager position in October 2007. He is currently responsible for tower crane maintenance and services, logistics and warehousing matters of Manta Hong Kong's operation in Hong Kong and Macau.

Ms. Florence Ngiam Lee Jong, aged 41, is the Chief Financial Officer of Manta Singapore. Ms. Ngiam joined Manta Singapore since December 2002 and is responsible for matters relating to office administrative, human resources, financial planning, budgeting, management and financial reporting of Manta Singapore as well as Consolidated Reporting of Manta Group. Prior to joining Manta Singapore, Ms. Ngiam worked as Regional Accountant for a US MNC software provider company in Singapore from 2000 to 2002. She is a member of Institute of Certified Public Accountants of Singapore and a member of Australian Society of Certified Practicing Accountants. Ms. Ngiam graduated from Victoria University of Technology in Australia with a master degree in business majoring in professional accounting in 1998.

Mr. Teo Yang Khoon, aged 57, is the Sales General Manager of Manta Singapore. Mr. Teo joined Manta Singapore in August 2004 as Marketing Manager. He is responsible for sales and marketing of products for Singapore's operations. Since 2001, Mr. Teo worked as a freelance broker for tower crane until he joined Manta Singapore in 2004. Mr. Teo graduated from Singapore Vocational Institute and obtained the trade certificate in Motor Vehicle Mechanic in 1972. In 1973, he completed the examination at the Ministry of Education on the City and Guilds of London and obtained the Motor Vehicle Mechanic Certificate. In 1985, Mr. Teo took a private course in sales and marketing and obtained a certificate in sales and marketing from the Institute of Professional Managers in United Kingdom in 1985.

Mr. Lee Seng Leong, aged 51, is the General Manager — Operations of Manta Singapore. Mr. Lee joined Manta Singapore since October 1999 as a Technician and was promoted to Sales and Service Manager in 2006. He currently leads the crane servicing team in Manta Singapore and is responsible for overseeing tower crane installation, maintenance and dismantling services operation in Singapore. Prior to joining Manta Singapore, Mr. Lee worked in a Singapore private company engaging in crane servicing business as a service technician and has worked as a technician in the army force in Singapore. He studied in the Vocational and Industrial Training Board and obtained the National Trade Certificate III in 1980.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2012 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

SEGMENT INFORMATION

Details of the segment information of the Group for the Year are set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the state of affairs of the Group and the Company as at that date are set out in the financial statements on pages 27 to 84.

The Board does not recommend the payment of a final dividend for the Year (2011: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the Year are set out in note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders of the Company (the "Shareholders").

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of the movements in the reserves of the Company and of the Group during the Year are set out in note 31 to the financial statements and the consolidated statement of changes in equity on pages 31.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company did not have a reserve available for distribution. Under the Companies Law, (2010 Revision) of the Cayman Islands, the share premium account of the Company of approximately HK$64 million as at 31 December 2012, is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the percentage of sales attributable to the Group's five largest customers was 29.6% with the largest customer accounted for 10.4%.

The percentage of purchase attributable to the Group's five largest suppliers was 70.9% with the largest supplier accounted for 60.8%.

Neither the Directors, any of their associates nor any Shareholders (which to the best knowledge of the Directors who owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the Year.

EVENTS AFTER THE REPORTING PERIOD

Exempted Connected Transaction

On 2 January 2013, KEY TAK INVESTMENTS (H.K.) LIMITED (as the Landlord) and the Company (as the Tenant) entered into a tenancy agreement (the "Agreement") regarding the lease of the premises located at Unit 6A, Winbase Centre, 208–220 Queen's Road Central, Hong Kong for the purpose of the new office of the Company at a monthly rental of HK$15,000 for a term of 2 years commenced on 15 January 2013 and ending on 14 January 2015, both days inclusive (the "Term"). The entering into of the Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules as the Landlord is a company majority-owned by the father of Mr. So Chung and Ms. So Man, both are the Executive Directors. As the relevant percentage ratios were less than 5% and the annual rental payment for the Term would be less than HK$1,000,000 and hence the entering into the Agreement was exempted from the reporting, announcements and independent shareholders' approval requirements in accordance with rule 14A.31(2) of the Listing Rules.

Liquidation of Manta-Vietnam Construction Equipment Leasing Limited

On 10 January 2013, the board of management of Manta-Vietnam Construction Equipment Leasing Limited, an indirectly-owned subsidiary of the Company, passed a resolution to liquidate the company.

Disposal of Shenzhen Nectar Engineering & Equipment Co., Ltd.

On 25 January 2013, MANTA EQUIPMENT SERVICES LIMITED (the "Vendor"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with GROWTHWELL LIMITED (the "Purchaser"), an independent third party, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the 15% equity interest in 深圳能科達機械工程有限公司 (for identification purpose, in English, Shenzhen Nectar Engineering & Equipment Co., Ltd.), a sino-foreign joint venture incorporated in the PRC, for a cash consideration of RMB1.486 million (equivalent to approximately HK$1.85 million) which will be satisfied upon the signing of the Sale and Purchase Agreement (the "Disposal"). The Disposal constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Details of the Disposal were disclosed in the announcement of the Company dated 25 January 2013.

DIRECTORS

The Directors during the Year and up to the date of this report were as follows:

Executive Directors

Mr. So Chung *(Chairman)*	(appointed with effect from 13 March 2012)
Ms. So Man	(appointed with effect from 13 March 2012)
Mr. Chung Tze Hien	(resigned with effect from 3 April 2012)
Mr. Quek Chang Yeow	(resigned with effect from 3 April 2012)
Mr. Lai Siu Shing	(resigned with effect from 3 April 2012)

REPORT OF THE DIRECTORS

Non-executive Director

Mr. Lam Woon Kun	(appointed with effect from 13 March 2012)

Independent Non-executive Directors

Ms. Lo Miu Sheung Betty	(appointed with effect from 13 March 2012)
Mr. Chan Mo	(appointed with effect from 13 March 2012)
Mr. Ho Gar Lok	(appointed with effect from 13 March 2012)
Mr. Cheung Chi Wai Vidy	(resigned with effect from 3 April 2012)
Mr. Lau Wing Yuen	(resigned with effect from 3 April 2012)
Mr. Louie Chun Kit	(resigned with effect from 3 April 2012)

In accordance with article 108(a) of the Articles, Mr. Lam Woon Kun, the Non-executive Director, and Mr. Chan Mo, the Independent Non-executive Director, shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company ("AGM").

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 7 to 8 of this report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual written confirmations from each of its Independent Non-executive Director in respect of their independence during the Year and all of them are still being considered to be independent.

DIRECTORS' SERVICE AGREEMENTS

Each of Mr. So Chung and Ms. So Man, both are Executive Directors, has entered into a service agreement with the Company for a term of three years commenced from 13 March 2012, unless terminated by either party by giving not less than one month's written notice to the other party.

Each of Mr. Lam Woon Kun, the Non-executive Director, Ms. Lo Miu Sheung Betty, Mr. Chan Mo and Mr. Ho Gar Lok, all are the Independent Non-executive Directors, has entered into a letter of appointment with the Company for a term of three years commenced from 13 March 2012, unless terminated by either party by giving not less than one month's written notice to the other party.

Each of the Directors is subject to the provisions for retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles.

Save as disclosed above, no Director proposed for re-election at the forthcoming AGM has service agreement with the Company which is not determinable 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 or any of its 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 Company was entered into or in existence during the Year.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

During the Year, there was no transaction which should be disclosed in this report as a connected transaction in accordance with the requirements of the Listing Rules on the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its holding companies, subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DISCLOSURE OF INFORMATION ON DIRECTOR PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

During the Year, the updated information on Director discloseable under rule 13.51B(1) of the Listing Rules was as follows:

— Ms. Lo Miu Sheung Betty, the Independent Non-executive Director, was appointed as an independent non-executive director of Sincere Watch (Hong Kong) Limited (stock code: 444) with effect from 19 June 2012.

DIRECTOR'S INTERESTS IN SHARES

As at 31 December 2012, the interests of the Directors in the Shares and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") were as follows:

(a) Long position in the Shares

Name of Director	Nature of interest	Number of Shares held	Percentage of issued share capital of the Company *(Note 2)*
Mr. So Chung	Interest of controlled corporation	600,000,000 *(Note 1)*	75%

Notes:

1. These Shares were registered in the name of Eagle Legend International Holdings Limited ("Eagle Legend International"), which is a wholly-owned subsidiary of Constant Success Holdings Limited ("Constant Success"). Constant Success is held as to 43% by Mr. So Chung through his 100% equity interest in Wonder Ocean International Holdings Limited ("Wonder Ocean") and 28.5% by Ms. So Man through Jiefei Limited. By virtue of the SFO, Mr. So Chung was deemed to be interested in the Shares held by Eagle Legend International. These Shares have been adjusted due to the bonus issue on the basis of three bonus Shares for every one existing Share (the "Bonus Issue of Shares"). Details of the Bonus Issue of Shares were set out in the Company's circular dated 23 August 2012.

2. The percentage is calculated on the basis of 800,000,000 Shares in issue as at 31 December 2012.

(b) Long position in the shares of associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of Share held	Percentage of issued share capital of the Company *(Note 2)*
Mr. So Chung	Eagle Legend International *(Note)*	Interest of controlled corporation	1	100%

Note: Eagle Legend International is a wholly-owned subsidiary of Constant Success which is held as to 43% by Mr. So Chung through his 100% equity interest in Wonder Ocean and 28.5% by Ms. So Man through Jiefei Limited.

Save as disclosed above, as at 31 December 2012, none of the Directors had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or are required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, so far as is known to the Directors and the chief executives of the Company, the interests of the persons or corporations in the Shares which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial Shareholders	Nature of interest	Number of Shares held	Percentage of the issued share capital of the Company
Eagle Legend International	Beneficial Interest	600,000,000	75%
Constant Success	Interest of controlled corporation	600,000,000	75%
Wonder Ocean *(Note)*	Interest of controlled corporation	600,000,000	75%

Note: Wonder Ocean is wholly-owned by Mr. So Chung.

Save as disclosed above, as at 31 December 2012, so far as is known to the Directors and the chief executives of the Company, no other person has interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO, or, were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

On 25 June 2010, the Company adopted a share option scheme (the "Share Option Scheme") which complied with the requirements of Chapter 17 of the Listing Rules.

The purpose of the Share Option Scheme is to provide incentive and/or reward to eligible participants for their contribution to, and continuing efforts to promote the interest of, the Group. Under the Share Option Scheme, the eligible participants of the scheme, including Directors, full-time employees of and advisers and consultants to the Group may be granted options which entitle them to subscribe for Shares. The Scheme will expire on 24 June 2020.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue on the listing date (i.e. 19 July 2010), unless the Company obtains the approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating such 10% limit. The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

No Option shall be granted to any eligible participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue.

Options granted must be taken up within 21 days after the date of grant, upon payment of HK$1 per grant. An option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time before the expiry of the period to be determined and notified by the Board which shall not be later than 10 years commencing on the date of grant and expiring on the last day of such ten-year period subject to the provisions for early termination as contained in the Share Option Scheme and provided that the Board may determine the minimum period for which the option has to be held or other restrictions before the exercise of the subscription right attaching thereto.

The exercise price shall be determined by the Board, and shall be at least the highest of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant, and the nominal value of a Share.

No options have been granted since the date of the adoption of the Share Option Scheme.

CHANGE OF CONTROLLING SHAREHOLDER

Pursuant to the completion of sale and purchase of 75% of the entire issued share capital of the Company on 2 April 2012 and as at 31 December 2012, the controlling Shareholder was Eagle Legend International which is a wholly-owned subsidiary of Constant Success.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year, no Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

REPORT OF THE DIRECTORS

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report as required under the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 25 June 2010 with written terms of reference. In order to comply with the relevant code provisions of the Revised Code contained in Appendix 14 to the Listing Rules, the written terms of reference was revised on 27 March 2012.

Further details of the Audit Committee are set out in the Corporate Governance Report included in this report.

CORPORATE GOVERNANCE

Full details on the Company's corporate governance practices are set out in pages 17 to 24 in this report.

AUDITOR

Due to a merger of the businesses of Grant Thornton ("GTHK"), now known as JBPB & Co. and BDO Limited to practice in the name of BDO Limited as announced by the Company on 23 November 2010, GTHK resigned and BDO Limited was appointed as auditor of the Company effective from 23 November 2010. Save as aforesaid, there was no change in auditor during the past three years.

A resolution will be proposed at the forthcoming AGM to re-appoint BDO Limited as auditor of the Company.

ON BEHALF OF THE BOARD

So Chung
Chairman

Hong Kong, 22 March 2013

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company believes that good corporate governance will not only improve management accountability and investor confidence, but also will lay a good foundation for the long-term development of the Company. Therefore, the Company will strive to develop and implement effective corporate governance practices and procedures.

The Code on Corporate Governance Practices (the "Former Code") was revised and renamed as the Corporate Governance Code (the "Revised Code") on 1 April 2012 contained in Appendix 14 to the Listing Rules.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all the code provisions of the Former Code for the period from 1 January 2012 to 31 March 2012 and of the Revised Code for the period from 1 April 2012 to 31 December 2012 contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions of Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by Directors during the Year. The Company has made specific enquiries of all the Directors and they have confirmed in writing that they have complied with the required standards set out in the Model Code regarding Directors' securities transactions throughout the year ended 31 December 2012.

THE BOARD OF DIRECTORS

The Board

The Board takes full responsibility of supervising and overseeing all major matters of the Company, including any acquisitions or disposal of businesses, investments, formulating and approving of overall management and operation strategies, reviewing the internal control and risk management systems, reviewing financial performance, considering dividend policies and monitoring the performance of the senior management, while the management is responsible for the daily management and operations of the Group.

Chairman and Chief Executive

Mr. So Chung has been serving as the Chairman since March 2012, while Mr. Quek Chang Yeow has been serving as the Chief Executive Officer since January 2010 although he resigned as Director in April 2012. The roles of the Chairman and the Chief Executive Officer are distinct and separate.

The Chairman provides leadership for the Board and ensures views on all principal and appropriate issues are exchanged by all the Directors (including the Non-executive Directors) in a timely manner, by encouraging them to make a full and effective contribution to the discussion.

The Chief Executive Officer is responsible to the Board for managing the business of the Company.

Board Composition

The composition of the Board was changed during the Year due to the change in control of the Company after the close of the mandatory unconditional cash offer in April 2012 (the "Offer"). Currently, the Board comprises six members with a suitable breadth of background and professional experience from the financial, legal, accounting and commercial sections.

CORPORATE GOVERNANCE REPORT

The Directors who served the Board during the Year and up to the date of this report are named as follows:

Executive Directors

Mr. So Chung *(Chairman)*	(appointed with effect from 13 March 2012)
Ms. So Man	(appointed with effect from 13 March 2012)
Mr. Chung Tze Hien	(relinquished his position as Chairman with effect from 13 March 2012 and resigned as Director with effect from 3 April 2012)
Mr. Quek Chang Yeow	(resigned with effect from 3 April 2012)
Mr. Lai Siu Shing	(resigned with effect from 3 April 2012)

Non-executive Director

Mr. Lam Woon Kun	(appointed with effect from 13 March 2012)

Independent Non-executive Directors

Ms. Lo Miu Sheung Betty	(appointed with effect from 13 March 2012)
Mr. Chan Mo	(appointed with effect from 13 March 2012)
Mr. Ho Gar Lok	(appointed with effect from 13 March 2012)
Mr. Cheung Chi Wai Vidy	(resigned with effect from 3 April 2012)
Mr. Lau Wing Yuen	(resigned with effect from 3 April 2012)
Mr. Louie Chun Kit	(resigned with effect from 3 April 2012)

Mr. So Chung and Ms. So Man are siblings and Mr. Lam Woon Kun is their cousin. Apart from that, there is no relationship, including financial, business, family or other material/relevant relationships among the Board members.

The brief biographical details of the Directors are set out in the "Board of Directors and Senior Management" in pages 7 to 8 of this report. Their role and function are published on the websites of the Stock Exchange and the Company.

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

Appointments, re-election and removal

All Executive Directors with service contracts and all Non-executive Directors (including the Independent Non-executive Directors) with letters of appointment usually serve three-year terms and subject to re-election pursuant to the Articles.

In accordance with article 108(a) of the Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. A retiring Director shall be eligible for re-election. Mr. Lam Woon Kun and Mr. Chan Mo will retire by rotation and both of them, being eligible, will offer themselves for re-election at the forthcoming AGM.

Continuous Professional Development

To assist the Directors in continuing their professional development, the Board recommends them to attend the relevant seminars and courses.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the Revised Code on continuous professional development during the period from 1 April 2012 to 31 December 2012:

Directors	*Notes*	Attending training conducted by professional parties	Reading materials relevant to director's duties and responsibilities
Executive Directors			
Mr. So Chung	(a)	√	√
Ms. So Man	(a)	√	√
Mr. Chung Tze Hien	(b)	–	–
Mr. Quek Chang Yeow	(b)	–	–
Mr. Lai Siu Shing	(b)	–	–
Non-executive Director			
Mr. Lam Woon Kun	(a)	√	√
Independent Non-executive Directors			
Ms. Lo Miu Sheung Betty	(a)	√	√
Mr. Chan Mo	(a)	√	–
Mr. Ho Gar Lok	(a)	√	√
Mr. Cheung Chi Wai Vidy	(b)	–	–
Mr. Lau Wing Yuen	(b)	–	–
Mr. Louie Chun Kit	(b)	–	–

Notes:

(a) Appointed with effect from 13 March 2012.

(b) Resigned with effect from 3 April 2012.

CORPORATE GOVERNANCE REPORT

NON-EXECUTIVE DIRECTORS

Each of the Non-executive Directors (including the Independent Non-executive Directors) has entered into a letter of appointment with the Company for a term of three years commencing from 13 March 2012, which can be terminated by either party giving one month's notice in writing to the other party.

Each of the Independent Non-executive Directors has confirmed by written confirmation that he has complied with the independence requirements set out in rule 3.13 of the Listing Rules. The Board considers that all Independent Non-executive Directors are independent under these independence requirements.

BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established the following Board committees to oversee the particular aspects of the Group's affairs:

Remuneration Committee

The Company established the Remuneration Committee in compliance with Appendix 14 to the Listing Rules with terms of reference. The composition of the Remuneration Committee was changed during the Year due to the change in control of the Company after the close of the Offer. Currently, the Remuneration Committee is chaired by Ms. Lo Miu Sheung Betty, the Independent Non-executive Director, and other members are Ms. So Man, the Executive Director, and Mr. Ho Gar Lok, the Independent Non-executive Director.

The Remuneration Committee is responsible for, including but not limited to, making recommendations to the Board on the Company's policy and structuring for all remuneration of Directors and senior management and establishing the formal and transparent procedures for developing such remuneration policy. In determining the specific remuneration packages of the Directors and senior management, the Remuneration Committee would consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and employment conditions elsewhere in the Group. Full terms of reference are available on the websites of the Stock Exchange and the Company. Details of directors' remuneration for each Director were set out in note 15 to the financial statements.

Nomination Committee

The Company established the Nomination Committee in compliance with Appendix 14 to the Listing Rules with terms of reference. The composition of the Nomination Committee was changed during the Year due to the change in control of the Company after the close of the Offer. Currently, the Nomination Committee is chaired by Mr. So Chung, the Executive Director and the Chairman and other members are Ms. Lo Miu Sheung Betty and Mr. Ho Kar Lok, both are Independent Non-executive Directors.

The Nomination Committee is responsible for, including but not limited to, reviewing the structure, size and composition of the Board annually, making recommendations to the Board on matters relating to the appointment or re-appointment of Directors and assessing the independence of the Independent Non-executive Directors. Full terms of reference are available on the websites of the Stock Exchange and the Company.

On 22 March 2013, the Nomination Committee recommended the retirement and re-election of Mr. Lam Woon Kun and Mr. Chan Mo at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee was established on 25 June 2010 with written terms of reference. In order to comply with the relevant code provisions of the Revised Code contained in Appendix 14 to the Listing Rules, the written terms of reference was revised on 27 March 2012.

The composition of the Audit Committee was changed during the Year due to the change in control of the Company after the close of the Offer. Currently, the Audit Committee comprises Mr. Lam Woon Kun, the non-executive Director, Ms. Lo Miu Sheung Betty and Mr. Ho Gar Lok (chairman of the Audit Committee), both are independent non-executive Directors.

The Audit Committee is primarily responsible for overseeing all financial reporting procedures and the effectiveness of the Company's internal controls and then reports the findings to the Board; making recommendation to the Board on the appointment, re-appointment and removal of external auditor and approving the remuneration and terms of engagement of the external auditor and any questions of resignation or dismissal of that auditor; and reviewing and monitoring the independence and objectivity of external auditor and the effectiveness of the audit process in accordance with applicable standard.

The Audit Committee has reviewed with the management of the Company the annual results for the year ended 31 December 2012 including the accounting principles and practices adopted by the Group and the internal control and financial reporting matters.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the Revised Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the Revised Code and disclosure in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

During the year ended 31 December 2012, the Board held 16 Board meetings.

The attendance record of each Director at the Board meetings, the committees meetings and the general meetings of the Company held during the Year is set out below:

Directors	*Notes*	**Board Meeting Attended/ Eligible to attend**	**Nomination Committee Meeting Attended/ Eligible to attend**	**Remuneration Committee Meeting Attended/ Eligible to attend**	**Audit Committee Meeting Attended/ Eligible to attend**	**Extraordinary General Meeting Attended/ Eligible to attend**	**2012 Annual General Meeting Attended/ Eligible to attend**
Executive Directors							
Mr. So Chung	(a)	15/16	–	–	–	1/1	1/1
Ms. So Man	(a)	16/16	–	–	–	1/1	1/1
Mr. Chung Tze Hien	(b)	1/4	–	2/2	–	–	–
Mr. Quek Chang Yeow	(b)	3/4	2/2	–	–	–	–
Mr. Lai Siu Shing	(b)	4/4	–	–	–	–	–
Non-executive Director							
Mr. Lam Woon Kun	(a)	13/16	–	–	1/1	1/1	1/1
Independent Non-executive Directors							
Ms. Lo Miu Sheung Betty	(a)	5/16	–	–	1/1	1/1	1/1
Mr. Chan Mo	(a)	2/16	–	–	–	0/1	0/1
Mr. Ho Gar Lok	(a)	5/16	–	–	1/1	1/1	1/1
Mr. Cheung Chi Wai Vidy	(b)	3/4	2/2	2/2	1/1	–	–
Mr. Lau Wing Yuen	(b)	1/4	2/2	1/2	0/1	–	–
Mr. Louie Chun Kit	(b)	3/4	2/2	2/2	1/1	–	–

Notes:

(a) Appointed with effect from 13 March 2012.

(b) Resigned with effect from 3 April 2012.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

For the year ended 31 December 2012, the total fee paid/payable to the external auditors of the Company in respect of audit and non-audit services is set as below:

	For the year ended 31 December 2012 HK$'000
Audit services	595
Non-audit services	Nil

DIRECTORS' AND AUDITOR'S RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2012, and confirm that the financial statements give a true and fair view of the results of the Company and the Group for the year then ended, and are prepared in accordance with the applicable statutory requirements and accounting standards. 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, therefore the Directors continue to adopt the going concern approach in preparing the financial statements. The statement of the external auditor of the Company, BDO Limited, about their responsibilities on the financial statements of the Group is set out in the independent auditor's report on pages 25 to 26.

COMPANY SECRETARY

Mr. Wong Ka Bong ("Mr. Wong") has been appointed as the Company Secretary since 18 May 2012. All Directors have access to the advice and services of Mr. Wong, who is responsible for ensuring that the correct Board procedures are followed and advises the Board on all corporate governance matters. During the Year, Mr. Wong confirmed that he undertook over 15 hours of professional training to update his skills and knowledge.

The primary corporate contact person of the Company is Ms. So Man, the Executive Director.

INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interests of the Shareholders. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the Shareholders and the assets of the Company.

During the Year, the Board has conducted reviews of the internal control system of the Company and considered the internal control system of the Company has implemented effectively. Such review covered financial, compliance and operational controls as well as risk management mechanisms.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the Former Code and the Revised Code but about promoting and developing an ethical and healthy corporate culture. The Company will continue to review and, where appropriate, improve the current practices on the basis of the experience, regulatory changes and developments. Any views and suggestions from the Shareholders to promote and improve the transparency are also welcome.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining a clear, timely and effective communication with the Shareholders and investors. The Board also recognizes that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.elasialtd.com. The Directors and members of various Board committees will attend the annual general meeting of the Company and answer any questions raised. The chairman of general meetings of the Company would explain the procedures for conducting a poll before proposing a resolution for voting. The poll results will be published on the websites of the Stock Exchange and the Company.

SHAREHOLDER RIGHTS

Convening an extraordinary general meeting by the Shareholders

The procedures for shareholders to convene an extraordinary general meeting (including making proposals/moving a resolution at the extraordinary general meeting) can be found in article 64 of the Articles, which is available on the websites of the Stock Exchange and the Company. Documents relating to the procedures for nomination of Directors by Shareholders are available on the website of the Company at www.elasialtd.com.

Making enquiry to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to infoela@elasialtd.com.

INVESTOR RELATIONS

Investors Communication Policy

To promote effective communication, the Company maintains a website at http://www.elasialtd.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number	:	852-2922 9722
By post	:	Unit 6A, Winbase Centre, 208-220 Queen's Road Central, Hong Kong
Attention	:	The Board of Directors
By email	:	infoela@elasialtd.com

During the Year, the Company has not made any changes to the Articles, which is available on the websites of the Stock Exchange and the Company.

INDEPENDENT AUDITOR'S REPORT

BDO

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TO THE SHAREHOLDERS OF EAGLE LEGEND ASIA LIMITED 鵬程亞洲有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Eagle Legend Asia Limited (Formerly known as "Manta Holdings Company Limited") ("the Company") and its subsidiaries (together "the Group") set out on pages 27 to 84, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 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. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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 judgment, 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.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Joanne Y.M. Hung
Practising Certificate no. P05419

Hong Kong, 22 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	*8*	**201,104**	154,139
Cost of sales and services		**(95,572)**	(79,230)
Gross profit		**105,532**	74,909
Other income	*9*	**7,646**	5,033
Selling and distribution expenses		**(4,833)**	(2,316)
Administrative expenses		**(53,449)**	(41,899)
Other operating expenses		**(39,767)**	(33,230)
Finance costs	*10*	**(15,687)**	(6,024)
Loss before income tax	*11*	**(558)**	(3,527)
Income tax (expense)/credit	*12*	**(1,399)**	2,351
Loss for the year		**(1,957)**	(1,176)
Other comprehensive income/(loss)			
— Exchange differences on translating foreign operations		**4,813**	(771)
— Gain on revaluation of property held for own use, net of tax	*16*	**1,444**	1,775
Other comprehensive income for the year		**6,257**	1,004
Total comprehensive income/(loss) for the year		**4,300**	(172)
Loss for the year attributable to:			
— Owners of the Company		**(1,677)**	(1,071)
— Non-controlling interests		**(280)**	(105)
		(1,957)	(1,176)
Total comprehensive income/(loss) attributable to:			
— Owners of the Company		**4,580**	(67)
— Non-controlling interests		**(280)**	(105)
		4,300	(172)
			(Restated)
Loss per share			
— Basic and diluted (HK cents)	*14*	**(0.2)**	(0.1)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*16*	**365,113**	290,100
Available-for-sale investment	*17*	**–**	580
		365,113	290,680
Current assets			
Inventories and consumables	*19*	**27,887**	35,085
Trade receivables	*20*	**48,817**	45,506
Prepayments, deposits and other receivables	*21*	**12,808**	10,312
Pledged bank deposits	*22*	**3,514**	3,519
Cash and cash equivalents	*22*	**125,699**	25,156
		218,725	119,578
Non-current asset held for sale			
Available-for-sale investment	*17*	**580**	–
		219,305	119,578
Current liabilities			
Trade and bill payables	*23*	**48,619**	37,294
Receipt in advance, accruals and other payables	*24*	**41,187**	30,089
Amount due to immediate holding company	*25*	**5**	–
Bank borrowings	*26*	**16,965**	12,650
Finance lease payables	*28*	**40,685**	29,172
Provision for tax		**419**	–
		147,880	109,205
Net current assets		**71,425**	10,373
Total assets less current liabilities		**436,538**	301,053

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Bank borrowings	*26*	**27,822**	32,193
Bonds payable	*27*	**100,000**	–
Finance lease payables	*28*	**103,335**	68,930
Deferred tax liabilities	*29*	**7,351**	6,200
		238,508	107,323
Net assets		**198,030**	193,730
EQUITY			
Share capital	*30*	**8,000**	2,000
Reserves	*31*	**189,023**	190,443
Equity attributable to the Company's owners		**197,023**	192,443
Non-controlling interests		**1,007**	1,287
Total equity		**198,030**	193,730

Director

Director

STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

	Notes	**2012 HK$'000**	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	*18*	**–**	105,597
Current assets			
Amounts due from subsidiaries	*18*	**14**	57,428
Prepayments		**431**	367
Cash and cash equivalents	*22*	**96,581**	1,111
		97,026	58,906
Current liabilities			
Accruals		**130**	277
Amount due to immediate holding company	*25*	**4**	–
Amounts due to subsidiaries	*18*	**173**	–
		307	277
Net current assets		**96,719**	58,629
Total assets less current liabilities and net assets		**96,719**	164,226
EQUITY			
Share capital	*30*	**8,000**	2,000
Reserves	*31*	**88,719**	162,226
Total equity		**96,719**	164,226

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

	Share capital HK$'000	Share premium* HK$'000	Merger reserve* HK$'000	Property revaluation reserve* HK$'000	Translation reserves* HK$'000	Accumulated losses* HK$'000	Equity attributable to the owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2011	2,000	69,968	120,985	3,352	10,765	(14,560)	192,510	1,392	193,902
Loss for the year	–	–	–	–	–	(1,071)	(1,071)	(105)	(1,176)
Other comprehensive (loss)/income	–	–	–	1,775	(771)	–	1,004	–	1,004
Total comprehensive (loss)/income for the year	–	–	–	1,775	(771)	(1,071)	(67)	(105)	(172)
Depreciation transfer on property held for own use carried at fair value, net of tax	–	–	–	(91)	–	91	–	–	–
Balance at 31 December 2011	2,000	69,968	120,985	5,036	9,994	(15,540)	192,443	1,287	193,730
Balance at 1 January 2012	**2,000**	**69,968**	**120,985**	**5,036**	**9,994**	**(15,540)**	**192,443**	**1,287**	**193,730**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(1,677)**	**(1,677)**	**(280)**	**(1,957)**
Other comprehensive income	**–**	**–**	**–**	**1,444**	**4,813**	**–**	**6,257**	**–**	**6,257**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**1,444**	**4,813**	**(1,677)**	**4,580**	**(280)**	**4,300**
Bonus issue	**6,000**	**(6,000)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Depreciation transfer on property held for own use carried at fair value, net of tax	**–**	**–**	**–**	**(140)**	**–**	**140**	**–**	**–**	**–**
Balance at 31 December 2012	**8,000**	**63,968**	**120,985**	**6,340**	**14,807**	**(17,077)**	**197,023**	**1,007**	**198,030**

* At 31 December 2012, the reserves accounts comprise the consolidated reserves of HK$189,023,000 (2011: HK$190,443,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Loss before income tax		**(558)**	(3,527)
Adjustments for:			
Bank interest income	*9*	**(708)**	(74)
Dividend income	*9*	**(177)**	–
Gain on disposal of property, plant and equipment	*9*	**(158)**	(194)
Allowance for impairment of trade receivables		**2,023**	464
Depreciation of property, plant and equipment	*16*	**39,767**	33,230
Interest expenses	*10*	**15,687**	6,024
Operating profits before working capital changes		**55,876**	35,923
Decrease in inventories and consumables		**22,082**	1,912
Increase in trade receivables		**(5,334)**	(10,684)
(Increase)/decrease in prepayments, deposits and other receivables		**(2,496)**	2,297
Increase in amount due to immediate holding company		**5**	–
Increase/(decrease) in trade and bill payables		**11,325**	(9,097)
Increase in receipt in advance, accruals and other payables		**11,098**	6,734
Cash generated from operations		**92,556**	27,085
Interest paid		**(15,687)**	(6,024)
Net cash generated from operating activities		**76,869**	21,061
Cash flows from investing activities			
Interest received		**708**	74
Dividend received		**177**	–
Purchase of property, plant and equipment	*35*	**(34,877)**	(40,369)
Decrease in pledged bank deposits		**5**	178
Proceeds from disposal of property, plant and equipment		**603**	418
Net cash used in investing activities		**(33,384)**	(39,699)
Cash flows from financing activities			
Repayment of obligations under finance leases		**(35,155)**	(27,758)
Proceeds from issue of bonds		**100,000**	–
Proceeds from new borrowings		**10,239**	10,984
Repayment of borrowings		**(10,295)**	(4,494)
Net cash generated from/(used in) financing activities		**64,789**	(21,268)
Net increase/(decrease) in cash and cash equivalents		**108,274**	(39,906)
Cash and cash equivalents at the beginning of year		**25,156**	66,002
Effect of exchange rates changes on cash and cash equivalents		**(7,731)**	(940)
Cash and cash equivalents at the end of year		**125,699**	25,156

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Pursuant to the special resolution passed at the extraordinary general meeting of the Company held on 18 September 2012, the name of the Company was changed from "Manta Holdings Company Limited (敏達控股有限公司)" to "Eagle Legend Asia Limited (鵬程亞洲有限公司)" with effect from 26 September 2012.

Eagle Legend Asia Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands. The address of its registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in Hong Kong is located at Unit 6A, Winbase Centre, 208–220 Queen's Road Central, Hong Kong. The Company and its subsidiaries (collectively known as the "Group") is principally engaged in trading of construction machinery and spare parts, leasing of the construction machinery and providing repair and maintenance services in respect of the construction machinery. The principal activities of the subsidiaries are described in Note 18.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 19 July 2010. The immediate holding company of the Company is Eagle Legend International Holdings Limited ("Eagle Legend") which is incorporated in the British Virgin Islands (the "BVI") and the directors of the Company consider the ultimate holding company of the Company is Constant Success Holdings Limited ("Constant Success"), a private limited company, which is incorporated in the BVI.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements on page 27 to 84 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for land and buildings carried at fair value, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong Dollars ("HK$"), which is the same as the functional currency of the Company.

3. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2012 were approved and authorised for issue by the board of directors on 22 March 2013.

4. ADOPTION OF HKFRSs

(a) Adoption of amendments to HKFRSs — first effective 1 January 2012

Amendments to HKFRS 1	First-time adoption of HKFRSs — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[3]
Annual improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

4. ADOPTION OF HKFRSs *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 9 — Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as 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 (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

Subsidiaries are entities over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of the entities so as to obtain benefits from their activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable at the reporting date.

(c) Property, plant and equipment

Land and building carried at fair value is property where the fair value of the leasehold land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease which is stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of leasehold land at the inception of the lease, and other items of plant and equipment, are stated at cost less accumulated depreciation and accumulated impairment losses.

Any surplus arising on revaluation of land and buildings is recognised in other comprehensive income and is accumulated in the property revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in net carrying amount of land and buildings arising on revaluations is recognised in other comprehensive income to the extent of the revaluation surplus in the property revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Land and building carried at fair value	Over the lease terms
Building carried at cost	30 years
Plant and machinery	5 to 10 years
Furniture and fixture	5 to 6 years
Office and other equipment	2 to 6 years
Motor vehicles	3 to 5 years
Leasehold improvements	30 years

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the reporting date.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment *(Continued)*

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of land and building carried at fair value.

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 costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

(d) Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income is recognised in accordance with Note 5(h). Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments

(i) Financial assets

Financial assets are classified into loans and receivables and available-for-sale investment.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the receivables expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any of such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale investment

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss were recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Financial assets other than trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. The Group's financial liabilities include trade, bill and other payables, accruals, amount due to immediate holding company, bank borrowings, bonds payable and finance lease payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as in accordance with the Group's accounting policy for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(iii) Financial liabilities *(Continued)*

Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Bank borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Finance lease payables

Finance lease payables are measured at initial value less the capital element of lease repayments.

Other financial liabilities

Other financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(f) Inventories and consumables

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in first-out method. Net realisable value represents 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.

Consumables for own consumption or provision of services are stated at cost. Cost is determined using the weighted average method.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services and the use by others of the Group's assets yielding interest, dividend and rentals, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods and customer has accepted the goods.

(ii) Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset.

(iii) Service income is recognised when the services are rendered.

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

(v) Dividend income is recognised when the right to receive payment is established.

(i) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates 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 at the end of reporting period.

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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Income taxes *(Continued)*

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

Current tax assets and current tax liabilities are presented in net if, and only if,

— the Group has the legally enforceable right to set off the recognised amounts; and

— intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

— the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

— the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(j) Foreign currency

Transactions entered into by the Company/group entities in currencies other than currency of the primary economic environment in which it/they operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Foreign currency *(Continued)*

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(k) Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Group's subsidiaries which operate in Hong Kong are required to participate in the Mandatory Provident Fund ("MPF") Schemes Ordinance, for all of its employees who are eligible to participate in the MPF scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in Singapore are required to participate in the Central Provident Fund ("CPF") Scheme, for all of its employees who are eligible to participate in the CPF scheme. The Group is required to contribute a certain percentage of its payroll costs to the CPF scheme.

The employees of the Group's subsidiaries which operate in Vietnam and Macau are required to participate in central pension scheme operated by the local municipal governments. The Group is required to contribute 20% of its payroll costs to the central pension scheme in Vietnam and certain percentage of its payroll cost to the central pension scheme in Macau.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

— Property, plant and equipment under cost model; or

— Investments in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(m) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 of economic benefits is remote. Possible obligations, the existence of which 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 of economic benefits is remote.

(o) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's operating locations.

The Group has identified the following reportable segments:

— Hong Kong

— Singapore

— Vietnam

— Macau

Each of these operating segments is managed separately as each of the product and service lines requires different resources. All inter-segment transfers are carried out at prices mutually agreed between the parties.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepar ed under HKFRSs, except that:

— Interest on bonds payable

— Certain finance costs

— Corporate income and expenses which are not directly attributable to the business activities or any operating segment

are not included in arriving the operating results of the operating segment.

Segment assets include all assets but exclude corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter. Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Related parties

(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 key management personnel of the Group or the Company's parent.

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

(i) The entity and the Group 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 the employees of the Group or an entity 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 key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependents of that person or that person's spouse or domestic partner.

6. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, 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 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.

(a) Useful life of property, plant and equipment

The Group determines the estimated useful lives 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 of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives 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.

6. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

(b) Fair value of land and building carried at fair value

Land and building carried at fair value of the Group is stated at fair value less accumulated depreciation in accordance with the accounting policy stated in Note 5(c). The fair value of the leasehold land and building is determined by a firm of independently qualified professional surveyors. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

In making the judgment, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet dates and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Recognition of deferred tax assets primarily involves management judgment and estimations regarding the taxable profits of the entities in which the losses arose. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(d) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgment and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(e) Impairment loss for trade and other receivables

The Group makes impairment loss for impairment losses on trade and other receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment losses on trade and other receivables requires the use of judgment and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(f) Impairment loss for other assets

The Group assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating units and choose a suitable discount rate in order to calculate the present value to those cash flows.

NOTES TO THE FINANCIAL STATEMENTS

7. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the geographic location of their operations. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Information regarding the Group's reportable segments as provided to the Group's executive directors is set out below:

	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	Inter segment elimination HK$'000	Total HK$'000
Year ended 31 December 2012						
Revenue						
From external customers	39,847	158,510	507	2,240	–	201,104
From inter segment	–	8,600	–	–	(8,600)	–
Reportable segment revenue	39,847	167,110	507	2,240	(8,600)	201,104
Reportable segment profit/(loss)	(2,833)	14,204	(2,082)	297	(1,321)	8,265
Interest on bonds						(6,859)
Unallocated corporate expenses						(3,363)
Loss for the year						(1,957)
Other reportable segment information						
Interest income	668	6	34	–	–	708
Interest expenses	(1,069)	(7,758)	(1)	–	–	(8,828)
Depreciation of non-financial assets	(8,311)	(31,002)	(454)	–	–	(39,767)
Allowance for impairment of trade receivables	–	(2,007)	(16)	–	–	(2,023)
Gain on disposal of property, plant and equipment	85	–	134	–	(61)	158
Income tax (expense)/credit	815	(2,214)	–	–	–	(1,399)
Additions to non-current segment assets during the year	24,439	98,494	–	–	(6,983)	115,950
At 31 December 2012						
Reportable segment assets	122,140	360,535	3,213	4,864	(2,915)	487,837
Unallocated segment assets						96,581
Total assets						584,418
Reportable segment liabilities	58,025	218,244	235	3,065	(41)	279,528
Unallocated segment liabilities						106,860
Total liabilities						386,388

7. SEGMENT INFORMATION *(Continued)*

	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	Inter segment elimination HK$'000	Total HK$'000
Year ended 31 December 2011						
Revenue						
From external customers	29,001	123,523	1,615	–	–	154,139
From inter segment	7,320	2,197	–	–	(9,517)	–
Reportable segment revenue	36,321	125,720	1,615	–	(9,517)	154,139
Reportable segment profit/(loss)	(2,627)	5,024	(315)	(55)	(1,944)	83
Unallocated corporate expenses						(1,259)
Loss for the year						(1,176)
Other reportable segment information						
Interest income	28	1	45	–	–	74
Interest expenses	(612)	(5,411)	(1)	–	–	(6,024)
Depreciation of non-financial assets	(6,847)	(25,891)	(492)	–	–	(33,230)
Allowance for impairment of trade receivables	–	(464)	–	–	–	(464)
Gain on disposal of property, plant and equipment	63	131	–	–	–	194
Income tax credit	–	2,351	–	–	–	2,351
Additions to non-current segment assets during the year	28,959	124,353	25	–	(2,460)	150,877
At 31 December 2011						
Reportable segment assets	92,447	320,099	4,117	121	(6,893)	409,891
Unallocated segment assets						367
Total assets						410,258
Reportable segment liabilities	45,606	181,757	318	15	(11,445)	216,251
Unallocated segment liabilities						277
Total liabilities						216,528

7. SEGMENT INFORMATION *(Continued)*

The following table presents the revenue from external customers by locations/jurisdictions on the locations of customers which the Group derived revenue for the year.

	Hong Kong	Singapore	Vietnam	Macau	Holland	Sri Lanka	Poland	Thailand	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2012	**45,266**	**146,200**	**516**	**3,297**	**28**	**–**	**–**	**3,842**	**1,955**	**201,104**
Year ended 31 December 2011	25,898	119,248	1,953	1,886	1,149	1,290	676	1,115	924	154,139

The Group's revenue from external customers for different products and services is set out in note 8.

Information about a major customer

Revenue from one customer of the Group's Singapore segment amounted to approximately HK$20,964,000, which represented 10% of the Group's revenue (2011: nil).

8. REVENUE

The Group's principal activities are trading of construction machinery and spare parts, leasing of the construction machinery and providing repair and maintenance of services in respect of the construction machinery.

Revenue from the Group's principal activities during the year is as follows:

	2012	2011
	HK$'000	HK$'000
Sale of machinery	**47,358**	35,992
Sale of spare parts	**6,958**	4,942
Rental income from leasing of		
— owned plant and machinery	**101,645**	75,864
— leased plant and machinery	**22,529**	19,506
Service income	**22,614**	17,835
	201,104	154,139

9. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Bank interest income	**708**	74
Compensation received	**440**	384
Dividend income	**177**	–
Net foreign exchange gain	**5,120**	1,728
Gain on disposal of property, plant and equipment	**158**	194
Sales of fixing angles	**–**	116
Commission income	**410**	274
Insurance claims	**–**	1,614
Others	**633**	649
	7,646	5,033

10. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest charges on financial liabilities stated at amortised cost:		
— Trust receipt loans wholly repayable within five years	**391**	–
— Bank borrowings wholly repayable within five years *(Note (i))*	**490**	415
— Bank borrowings not wholly repayable within five years	**841**	703
— Bonds wholly repayable within five years	**6,859**	–
— Finance lease payables wholly repayable within five years	**6,414**	4,030
— Trade payables	**692**	876
	15,687	6,024

Note:

(i) The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause in accordance with the agreed scheduled repayments dates set out in the loan agreements. The interest on bank borrowings which includes a repayment on demand clause amounted to approximately HK$145,000 (2011: HK$7,000).

11. LOSS BEFORE INCOME TAX

	2012 HK$'000	2011 HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Auditor's remuneration		
— Current year	**692**	823
— Underprovision/(overprovision) in respect of prior year	**13**	(323)
Cost of inventories recognised as an expense	**47,358**	35,579
Depreciation of property, plant and equipment *(Note (i))*		
— Owned assets	**19,408**	18,818
— Leased assets	**20,359**	14,412
Allowance for impairment of trade receivables *(Note (ii))*	**2,023**	464
Gain on disposal of property, plant and equipment	**(158)**	(194)
Operating lease charges in respect of land and buildings	**2,372**	2,354
Provision for loss of legal claim *(Note (iii))*	**–**	149
Staff costs (including directors' remuneration *(Note 15)*)		
— Wages, salaries and bonuses	**29,091**	21,796
— Contribution to defined contribution pension plans *(Note (iv))*	**2,432**	2,223
Net foreign exchange gain	**(5,120)**	(1,728)
Net rental income from subletting of plant and machinery	**(5,224)**	(5,936)

Notes:

(i) Depreciation had been included in other operating expenses.

(ii) Allowance for impairment on trade receivables had been included in administrative expenses.

(iii) Provision for loss of legal claim had been included in administrative expenses.

(iv) During the year, the Group had no forfeited contributions available to reduce its contributions to the pension schemes (2011: nil).

12. INCOME TAX (EXPENSE)/CREDIT

	2012 HK$'000	2011 HK$'000
Current tax — overseas		
— Current year	**(419)**	–
— Overprovision in respect of prior years	**–**	1,204
	(419)	1,204
Deferred tax		
— Current year *(Note 29)*	**(980)**	–
— Overprovision in respect of prior years	**–**	1,147
	(980)	1,147
Total income tax (expense)/credit	**(1,399)**	2,351

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any taxation under the jurisdictions of the Cayman Islands and the BVI.

Hong Kong, Vietnam and Macau profits tax have not been provided as the Group has (i) no assessable profit or (ii) allowable tax losses brought forward to set off against the assessable profits during the year.

Singapore profits tax has been provided for the year at a tax rate of 17% on the estimated assessable profit. No provision for Singapore profits tax had been provided for the year ended 31 December 2011 as the Group had no assessable profit.

12. INCOME TAX (EXPENSE)/CREDIT *(Continued)*

A reconciliation of income tax expense/(credit) and accounting loss at applicable tax rate is as follows:

	2012	2011
	HK$'000	HK$'000
Loss before income tax	**(558)**	(3,527)
Tax calculated at the domestic tax rate of 16.5% (2011: 16.5%)	**(92)**	(582)
Tax effect of different tax rates of subsidiaries	**82**	3
Tax effect of non-deductible expenses	**2,756**	905
Tax effect of non-taxable income	**(819)**	(170)
Tax effect of temporary difference not recognised	**(2,322)**	(601)
Tax effect of prior year's unrecognised tax losses utilised this year	**–**	(195)
Tax effect of tax losses not recognised	**1,988**	31
Overprovision in respect of prior years	**–**	(2,351)
Others	**(194)**	609
Income tax expense/(credit)	**1,399**	(2,351)

13. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2012 (2011: nil).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$1,677,000 (2011: HK$1,071,000) and on the weighted average number of 800,000,000 (2011: 800,000,000, as restated to reflect the bonus issue on 4 October 2012) ordinary shares in issue during the year.

Diluted loss per share is as the same as the basic loss per share because the Group has no dilutive potential shares during the year (2011: no).

15. DIRECTORS' REMUNERATIONS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remunerations

	Date of appointment/ resignation during the year	Directors' fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Contribution to pension plan HK$'000	Total HK$'000
2012						
Executive directors						
Mr. So Chung	Appointed with effect from 13 March 2012	–	675	–	11	686
Ms. So Man	Appointed with effect from 13 March 2012	–	675	–	11	686
Mr. Chung Tze Hien	Resigned with effect from 3 April 2012	31	–	120	–	151
Mr. Quek Chang Yeow	Resigned with effect from 3 April 2012	–	338	300	40	678
Mr. Lai Siu Shing	Resigned with effect from 3 April 2012	–	219	70	3	292
Non-executive director						
Mr. Lam Woon Kun	Appointed on 13 March 2012	–	225	–	–	225
Independent non-executive directors						
Mr. Chan Mo	Appointed with effect from 13 March 2012	90	–	–	–	90
Mr. Ho Gar Lok	Appointed with effect from 13 March 2012	90	–	–	–	90
Ms. Lo Miu Sheung Betty	Appointed with effect from 13 March 2012	90	–	–	–	90
Mr. Cheung Chi Wai Vidy	Resigned with effect from 3 April 2012	20	–	–	–	20
Mr. Lau Wing Yuen	Resigned with effect from 3 April 2012	20	–	–	–	20
Mr. Louie Chun Kit	Resigned with effect from 3 April 2012	28	–	–	–	28
		369	2,132	490	65	3,056

15. DIRECTORS' REMUNERATIONS AND SENIOR MANAGEMENT'S EMOLUMENTS
(Continued)

(a) Directors' remunerations *(Continued)*

	Date of appointment/ resignation during the year	Directors' fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Contribution to pension plan HK$'000	Total HK$'000
2011						
Executive directors						
Mr. Chung Tze Hien	Resigned with effect from 3 April 2012	120	–	120	–	240
Mr. Quek Chang Yeow	Resigned with effect from 3 April 2012	–	1,280	558	76	1,914
Mr. Lai Siu Shing	Resigned with effect from 3 April 2012	–	872	70	12	954
Independent non-executive directors						
Mr. Cheung Chi Wai Vidy	Resigned with effect from 3 April 2012	80	–	–	–	80
Mr. Lau Wing Yuen	Resigned with effect from 3 April 2012	80	–	–	–	80
Mr. Louie Chun Kit	Resigned with effect from 3 April 2012	110	–	–	–	110
		390	2,152	748	88	3,378

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2011: nil).

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2011: nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 2 directors for the year (2011: 2 directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 individuals for the year (2011: 3 individuals) are as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other emoluments	**3,843**	1,771
Discretionary bonuses	**2,637**	448
Contribution to pension plans	**197**	199
	6,677	2,418

Mr. Quek Chang Yeow was resigned as an executive director on 2 April 2012. The emoluments from the date of resignation as an executive director to 31 December 2012 were HK$2,050,000. He was one of the five highest paid individuals of the Group for the year ended 31 December 2012 with total emoluments of HK$2,728,000.

15. DIRECTORS' REMUNERATIONS AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals *(Continued)*

Mr. Lai Siu Sing was resigned as an executive director on 2 April 2012. The emoluments from the date of resignation as an executive director to 31 December 2012 were HK$1,222,000. He was one of the five highest paid individuals of the Group for the year ended 31 December 2012 with total emoluments of HK$1,514,000.

The emoluments of non-director individuals fell within the following bands:

	2012	2011
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**2**	1

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2011: nil).

(c) Senior management's emoluments

The emoluments paid or payable to 18 (2011: 12) members of senior management whose emoluments fell within the following bands:

	2012	2011
Nil to HK$1,000,000	**14**	11
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	–

16. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Land and building carried at fair value HK$'000	Building carried at cost HK$'000	Plant and machinery HK$'000	Furniture and fixture HK$'000	Office and other equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 31 December 2010 and 1 January 2011								
Cost or valuation	4,998	–	310,630	2,658	3,692	3,483	–	325,461
Accumulated depreciation	–	–	(140,564)	(2,566)	(3,079)	(2,245)	–	(148,454)
Net carrying amount	4,998	–	170,066	92	613	1,238	–	177,007
Year ended 31 December 2011								
Opening net carrying amount	4,998	–	170,066	92	613	1,238	–	177,007
Additions	–	47,819	96,863	177	361	989	4,668	150,877
Disposals	–	–	(155)	–	–	(69)	–	(224)
Depreciation	(135)	(1,702)	(30,348)	(77)	(328)	(548)	(92)	(33,230)
Transfer to inventories	–	–	(5,907)	–	–	–	–	(5,907)
Valuation adjustment	1,775	–	–	–	–	–	–	1,775
Exchange differences	–	61	(276)	1	6	7	3	(198)
Closing net carrying amount	6,638	46,178	230,243	193	652	1,617	4,579	290,100
At 31 December 2011								
Cost or valuation	6,638	47,819	398,645	2,630	3,983	3,898	4,668	468,281
Accumulated depreciation	–	(1,641)	(168,402)	(2,437)	(3,331)	(2,281)	(89)	(178,181)
Net carrying amount	6,638	46,178	230,243	193	652	1,617	4,579	290,100
Year ended 31 December 2012								
Opening net carrying amount	**6,638**	**46,178**	**230,243**	**193**	**652**	**1,617**	**4,579**	**290,100**
Additions	**–**	**–**	**113,562**	**66**	**318**	**1,923**	**81**	**115,950**
Disposals	**–**	**–**	**(69)**	**–**	**(1)**	**(375)**	**–**	**(445)**
Depreciation	**(184)**	**(1,716)**	**(36,566)**	**(58)**	**(371)**	**(707)**	**(165)**	**(39,767)**
Transfer to inventories	**–**	**–**	**(14,884)**	**–**	**–**	**–**	**–**	**(14,884)**
Valuation adjustment	**1,444**	**–**	**–**	**–**	**–**	**–**	**–**	**1,444**
Exchange differences	**–**	**2,107**	**10,336**	**8**	**16**	**39**	**209**	**12,715**
Closing net carrying amount	**7,898**	**46,569**	**302,622**	**209**	**614**	**2,497**	**4,704**	**365,113**
At 31 December 2012								
Cost or valuation	**7,898**	**49,925**	**466,453**	**2,703**	**4,242**	**4,191**	**4,961**	**540,373**
Accumulated depreciation	**–**	**(3,356)**	**(163,831)**	**(2,494)**	**(3,628)**	**(1,694)**	**(257)**	**(175,260)**
Net carrying amount	**7,898**	**46,569**	**302,622**	**209**	**614**	**2,497**	**4,704**	**365,113**

16. PROPERTY, PLANT AND EQUIPMENT — GROUP *(Continued)*

The analysis of net carrying amounts for the above assets under the cost or valuation model is as follows:

	Land and building carried at fair value HK$'000	Building carried at cost HK$'000	Plant and machinery HK$'000	Furniture and fixture HK$'000	Office and other equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 31 December 2012								
At cost	**–**	**46,569**	**302,622**	**209**	**614**	**2,497**	**4,704**	**357,215**
At valuation	**7,898**	**–**	**–**	**–**	**–**	**–**	**–**	**7,898**
	7,898	**46,569**	**302,622**	**209**	**614**	**2,497**	**4,704**	**365,113**
At 31 December 2011								
At cost	–	46,178	230,243	193	652	1,617	4,579	283,462
At valuation	6,638	–	–	–	–	–	–	6,638
	6,638	46,178	230,243	193	652	1,617	4,579	290,100

The Group's land and building carried at fair value were valued at 31 December 2012 on an open market value basis by a firm of independent qualified professional surveyor, LCH (Asia-Pacific) Surveyors Limited ("LCH"), members of LCH are professional members of the Hong Kong Institute of Surveyors. Fair values were estimated based on recent market transactions, which were then adjusted for specific conditions relating to the land and buildings. The revaluation surplus was credited to other comprehensive income.

16. PROPERTY, PLANT AND EQUIPMENT — GROUP *(Continued)*

Had the land and building carried at fair value been measured on cost model, the net carrying amount would have been as follows:

	2012	2011
	HK$'000	HK$'000
Cost	**1,871**	1,871
Accumulated depreciation	**(720)**	(686)
Net carrying amount	**1,151**	1,185

At 31 December 2012, the Group's land and building carried at fair value was situated in the Hong Kong (2011: Hong Kong) and was held under medium term lease (2011: medium term lease).

At 31 December 2012, the Group's building carried at cost was situated in Singapore (2011: Singapore) and was held under medium term lease (2011: medium term lease).

At 31 December 2012, the net carrying amount of the Group's plant and machinery (2011: plant and machinery) included an amount of approximately HK$204,854,000 (2011: HK$148,171,000) in respect of assets held under finance lease (Note 28).

At 31 December 2012, the net carrying amount of the Group's plant and machinery included an amount of approximately HK$20,250,000 (2011: HK$9,913,000) were pledged as security for bank borrowings (Note 26).

At 31 December 2012, the net carrying amount of the Group's land and building carried at fair value included an amount of approximately HK$7,898,000 (2011: HK$6,638,000) were pledged as security for bank borrowings (Note 26).

At 31 December 2012, the net carrying amount of the Group's building carried at cost included an amount of approximately HK$46,569,000 (2011: HK$46,178,000) were pledged as security for bank borrowings (Note 26).

17. AVAILABLE-FOR-SALE INVESTMENT — GROUP

Balance represented the Group's unlisted equity investment carried at cost. The Group had 15% equity interest in 深圳能科達機械工程有限公司, Shenzhen Nectar Engineering & Equipment Co., Ltd.* ("Shenzhen Nectar"), a Sino-foreign-owned joint venture enterprise incorporated in the People's Republic of China (the "PRC").

* *The English translation of the company name is for reference only. The official name of this company is in Chinese.*

The fair value of unlisted equity securities was not disclosed as the fair value cannot be measured reliably. There was no open market on the unlisted investment.

On 25 January 2013, the Group entered into a sale and purchase agreement with a third party, to dispose its entire equity interest in Shenzhen Nectar for a consideration of RMB1.486 million (approximately HK$1.85 million) (the "Disposal"). Further details of the Disposal are disclosed in the announcement dated 25 January 2013. The amount of investment has been reclassified as "non-current asset held for sale" as at 31 December 2012.

18. INTERESTS IN SUBSIDIARIES — COMPANY

	2012 **HK$'000**	2011 HK$'000
Investments in subsidiaries		
Unlisted shares, at cost	**–**	105,597
Amounts due from subsidiaries	**14**	57,428
Amounts due to subsidiaries	**173**	–

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

During the year, the Group underwent a group restructure by disposing its two wholly-owned subsidiaries, namely Gold Lake Holdings Limited ("GLH") and Chief Strategy Limited ("CSL") and the amounts due from subsidiaries of HK$57,428,000 to a wholly-owned subsidiary, Chief Key Limited ("CKL") at a consideration of HK$100,000,000. Since then, GLH and CSL became indirectly held subsidiaries of the Group. Upon the disposal, an amount of HK$63,025,000 was debited to contributed surplus of the Company (Note 31).

18. INTERESTS IN SUBSIDIARIES — COMPANY *(Continued)*

At 31 December 2012, the particulars of the subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	Place of incorporation	Particulars of issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities
Interests held directly				
CKL	BVI	1 ordinary shares of USD1 each	100%	Investment holding
Interests held indirectly				
CSL	BVI	300 ordinary shares of USD1 each	100%	Investment holding
GLH	BVI	100 ordinary shares of USD1 each	100%	Investment holding
Manta Engineering and Equipment Company, Limited	Hong Kong	145,306 ordinary shares of HK$100 each	100%	Trading in construction machinery and spare parts
Manta Equipment Rental Company Limited	Hong Kong	96,148 ordinary shares of HK$100 each	100%	Leasing of construction machinery and provision of repair and maintenance services
Manta Equipment (S) Pte Ltd	Singapore	10,000,000 ordinary shares of S$1 each	100%	Trading and leasing of construction machinery and provision of repair and maintenance services
Manta Equipment Services Limited	Hong Kong	1,132 ordinary shares of HK$100 each	100%	Investment holding
Manta-Vietnam Construction Equipment Leasing Limited ("Manta-Vietnam")	Vietnam	Owner invest equity VND10,649,879,390	67%	Leasing of construction equipment
Manta Engineering and Equipment (Macau) Company Limited	Macau	1 quota with nominal value of MOP25,000	100%	Leasing of construction equipment
Manta Services (S) Pte Limited	Singapore	10,000 ordinary shares of S$1 each	100%	Inactive

18. INTERESTS IN SUBSIDIARIES — COMPANY *(Continued)*

The above table lists out the subsidiaries of the Company as at 31 December 2012 which, in the opinion of the directors, principally affected the Group's results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INVENTORIES AND CONSUMABLES — GROUP

	2012 **HK$'000**	2011 HK$'000
Cranes and spare parts	**27,887**	35,085

20. TRADE RECEIVABLES — GROUP

	2012 **HK$'000**	2011 HK$'000
Trade receivables, gross	**50,210**	46,025
Less: Provision for impairment	**(1,393)**	(519)
Trade receivables, net	**48,817**	45,506

The Group's trading terms with its existing customers are mainly on credit. The credit period is, in general, ranging from 0 to 60 days or based on the terms agreed in the sale and rental agreement.

The directors of the Company consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The ageing analysis of trade receivables as at the reporting date, net of impairment, based on invoice date, is as follows:

	2012 **HK$'000**	2011 HK$'000
0–30 days	**9,473**	16,201
31–60 days	**14,280**	10,852
61–90 days	**12,631**	6,647
Over 90 days	**12,433**	11,806
	48,817	45,506

20. TRADE RECEIVABLES — GROUP *(Continued)*

The movement in the allowance for impairment of trade receivables during the year is as follows:

	2012	2011
	HK$'000	HK$'000
At 1 January	**519**	189
Impairment loss recognised	**2,023**	464
Bad debts written off	**(1,172)**	(117)
Net exchange differences	**23**	(17)
At 31 December	**1,393**	519

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. At 31 December 2012, the Group had determined approximately HK$1,393,000 trade receivables (2011: HK$519,000) as individually impaired. Based on this assessment, approximately HK$2,023,000 of impairment loss had been provided (2011: HK$464,000) and approximately HK$1,172,000 of impairment loss was written off for the year (2011: HK$117,000). The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

The ageing analysis of the Group's trade receivables that are not impaired is as follows:

	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**8,027**	15,574
Not more than 3 months past due	**34,807**	24,685
Over 3 months past due	**5,983**	5,247
	48,817	45,506

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

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

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES — GROUP

	2012	2011
	HK$'000	HK$'000
Prepayments	**9,280**	7,695
Deposits	**2,487**	1,246
Other receivables	**1,041**	1,371
	12,808	10,312

None of the above financial assets was either past due or impaired. The financial assets included in the above balances related to counterparties for which there was no recent history of default.

The carrying amounts of deposits and other receivables of the Group approximate their fair values as this financial asset which is measured at amortised cost, is expected to be repaid within a short timescale, such that the time value of money is not significant.

22. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS — GROUP AND COMPANY

Pledged bank deposits have maturities of 3 months as at 31 December 2012 (2011: 9 months) and such deposits have been pledged to certain banks as securities for bank borrowings (Note 26) and finance lease payable (Note 28) (2011: bank borrowings). The effective interest rates of the Group's pledged bank deposits were set out in note 37(a). The directors of the Company considered that the fair value of the short-term bank deposits is not materially different from their carrying amount because of the short maturity period on their inception.

Cash and cash equivalents represent cash at bank and in hand. Cash at bank earns interest at floating rates based on daily bank deposits rates. The Group's and the Company's exposures to foreign currency risk were set out in note 37(c).

23. TRADE AND BILL PAYABLES — GROUP

	2012	2011
	HK$'000	HK$'000
Trade payables	**24,639**	24,298
Bill payables	**23,980**	12,996
	48,619	37,294

The credit period is, in general, ranging from 30 to 60 days or based on the terms agreed in the purchase agreement. At 31 December 2012, trade payables of approximately HK$6,694,000 (2011: HK$14,634,000) were interest-bearing at 5.5% per annum (2011: 4.5%–5% per annum).

23. TRADE AND BILL PAYABLES — GROUP *(Continued)*

The ageing analysis of trade and bill payables as at the reporting date, based on invoice date, is as follows:

	2012	2011
	HK$'000	HK$'000
0–30 days	**35,809**	28,261
31–60 days	**6,669**	4,819
61–90 days	**2,963**	931
Over 90 days	**3,178**	3,283
	48,619	37,294

The fair values of trade and bill payables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

24. RECEIPT IN ADVANCE, ACCRUALS AND OTHER PAYABLES — GROUP

	2012	2011
	HK$'000	HK$'000
Receipt in advance	**24,059**	24,091
Accruals	**14,753**	5,625
Other payables	**2,375**	373
	41,187	30,089

The carrying amounts of accruals and other payables approximate their fair values as these financial liabilities which are measured at amortised cost, are expected to be repaid within a short timescale, such that the time value of money is not significant.

25. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY — GROUP AND COMPANY

The amount due is unsecured, interest free and repayable on demand.

26. BANK BORROWINGS — GROUP

	2012 HK$'000	2011 HK$'000
Trust receipt loans, repayable within one year	**8,359**	–
Bank borrowings repayable:		
Within one year	**6,728**	9,939
More than one year, but not exceeding two years	**4,043**	6,523
More than two years, but not exceeding five years	**6,407**	8,386
More than five years	**19,250**	19,995
	44,787	44,843
Portion classified as current liabilities	**(16,965)**	(12,650)
Non-current portion	**27,822**	32,193

Bank borrowings were denominated in Hong Kong Dollars and Singapore Dollars. The effective interest rates of the Group's bank borrowings were set out in note 37(a).

At 31 December 2011 and 2012, bank borrowings of the Group were secured by bank deposits (Note 22), land and building carried at fair value, building carried at cost and plant and machinery of the Group (Note 16) and corporate guarantees executed by the Company.

The carrying values of the Group's borrowings approximate their fair values.

The current liabilities included bank borrowings of approximately HK$1,878,000 (2011: HK$2,756,000) that are not scheduled to repay within one year. They were classified as current liabilities as the related loan agreements contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

27. BONDS PAYABLE — GROUP

The bonds carry interest at a rate of 12% per annum, repayable on 11 June 2014 and secured by the equity interest of certain subsidiaries.

28. FINANCE LEASE PAYABLES — GROUP

	2012 HK$'000	2011 HK$'000
Total minimum lease payments:		
Due within one year	**57,954**	33,910
Due in the second to fifth years	**111,505**	76,532
	169,459	110,442
Future finance charges on finance leases	**(25,439)**	(12,340)
Present value of finance lease liabilities	**144,020**	98,102
Present value of minimum lease payments:		
Due within one year	**40,685**	29,172
Due in the second to fifth years	**103,335**	68,930
	144,020	98,102
Less: Portion classified as current liabilities	**(40,685)**	(29,172)
Non-current portion	**103,335**	68,930

The Group has entered into finance leases for items of plant and machinery. The average lease term is 3 to 5 years. At the end of the lease term, the Group has the option to purchase the leased equipment at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease for it to be reasonably certain, at the inception of the lease, that the option will be exercised. None of the leases include contingent rentals.

Finance lease payables bore interest at fixed interest rates. The effective interest rates on the Group's finance lease payables as at reporting date were set out in note 37(a).

At 31 December 2012, finance lease payables of the Group were secured by bank deposits (Note 22) and corporate guarantees executed by the Company.

Finance lease payables are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group.

29. DEFERRED TAX — GROUP

Deferred tax is calculated in full on temporary differences under the liability method using the following principal tax rates:

	2012	2011
Hong Kong profits tax	**16.5%**	16.5%
Singapore profits tax	**17%**	17%

The movement on deferred tax liabilities is as follows:

	Deferred tax liabilities attributable to accelerated tax depreciation HK$'000
At 1 January 2011	(7,334)
Recognised in the profit or loss *(Note 12)*	1,147
Exchange differences	(13)
At 31 December 2011 and 1 January 2012	(6,200)
Recognised in the profit or loss *(Note 12)*	(980)
Exchange differences	(171)
At 31 December 2012	(7,351)

Deferred tax asset in respect of tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in Hong Kong amounted to HK$47,128,000 (2011: HK$35,078,000) can be carried forward indefinitely under the current tax legislation.

30. SHARE CAPITAL

	Number '000	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January and 31 December 2012	**200,000,000**	**2,000,000**
Issued and fully paid:		
At 1 January 2011, 31 December 2011 and 1 January 2012	**200,000**	**2,000**
Bonus issue *(Note)*	**600,000**	**6,000**
At 31 December 2012	**800,000**	**8,000**

Note: Pursuant to the ordinary resolution of the extraordinary general meeting passed on 18 September 2012, a bonus issue was approved to issue on the basis of three bonus shares for every then one existing share held by the qualifying shareholders on 4 October 2012. 600,000,000 ordinary shares of HK$0.01 each were issued.

The Company has a share option scheme ("SO Scheme") which was adopted on 25 June 2010 for the purpose of providing incentives and rewards to eligible participants who contribute to the Group's operations. Eligible participants of the SO Scheme include any person being employee, adviser, consultant, service provider, agent, customer, partner and joint-venture partner of the Group. Further details of the SO Scheme are disclosed in the prospectus of the Company dated 30 June 2010.

No option has been granted by the Company under the SO Scheme since its adoption.

31. RESERVES — GROUP AND COMPANY

Merger reserve

The merger reserve of the Group arose as a result of the group reorganisation which was completed on 25 June 2010, represented the difference between (a) the sum of nominal value of the combined capital and share premium of the Group and (b) the nominal value of the share capital of the Company.

Contributed surplus

Contributed surplus of the Company represented the difference between the net assets value transferred from certain subsidiaries to the Company pursuant to the group reorganisation and the nominal value of share capital and share premium of the Company.

31. RESERVES — GROUP AND COMPANY *(Continued)*

Share premium

The share premium account represented the premium arose from the issue of shares of the Company.

Group

Details of the movements on the Group's reserve are as set out in the consolidation statement of changes in equity.

Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2011	69,968	104,597	(10,217)	164,348
Loss and total comprehensive loss for the year	–	–	(2,122)	(2,122)
Balance at 31 December 2011 and 1 January 2012	69,968	104,597	(12,339)	162,226
Bonus issue *(Note 30)*	(6,000)	–	–	(6,000)
Loss and total comprehensive loss for the year	–	–	(4,482)	(4,482)
Release upon reorganisation *(Note 18)*	–	(63,025)	–	(63,025)
Balance at 31 December 2012	**63,968**	**41,572**	**(16,821)**	**88,719**

32. LOSS FOR THE YEAR

Of the consolidated loss attributable to the owners of the Company of approximately HK$1,677,000 (2011: HK$1,071,000), a loss of HK$4,482,000 (2011: HK$2,122,000) has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

33. COMMITMENTS — GROUP

(a) Operating lease commitment — Group as lessor

The Group had future aggregate minimum lease receipts in respect of plant and machinery owned by the Group under non-cancellable operating leases as follows:

	2012 HK$'000	2011 HK$'000
Within one year	**53,180**	45,215
In the second to fifth years, inclusive	**3,770**	1,400
	56,950	46,615

The Group had future aggregate minimum lease receipts in respect of plant and machinery subletted by the Group under non-cancellable operating leases as follows:

	2012 HK$'000	2011 HK$'000
Within one year	**16,239**	5,769
In the second to fifth years, inclusive	**450**	329
	16,689	6,098

The Group leases its plant and machinery under operating leases arrangements which run for an initial period of one to two years. All leases are on a fixed rental basis and do not include contingent rentals. The terms of leases generally require the lessee to pay security deposits.

The Company does not have any minimum lease receipts under non-cancellable operating leases.

33. COMMITMENTS — GROUP *(Continued)*

(b) Operating lease commitment — Group as lessee

The total future minimum lease payments of the Group in respect of plant and machinery, and properties under non-cancellable operating leases are as follows:

	2012 **HK$'000**	2011 HK$'000
Within one year	**13,022**	1,691
In the second to fifth years, inclusive	**4,379**	1,966
After five years	**1,088**	1,900
	18,489	5,557

The leases run for a period of one to two years. All rentals are fixed over the lease terms and do not include contingent rentals.

The Company does not have any significant operating lease commitments as lessee.

(c) Capital commitment

	2012 **HK$'000**	2011 HK$'000
Group		
Property, plant and equipment — plant and machinery		
Contracted but not provided for	**1,109**	4,009

The Company does not have any significant capital commitments.

34. KEY MANAGEMENT PERSONNEL COMPENSATION — GROUP

The remuneration of directors and other members of key management during the year was as follows:

	2012 **HK$'000**	2011 HK$'000
Short-term employee benefits	**2,991**	3,290
Post employment benefit	**65**	88
	3,056	3,378

35. SIGNIFICANT NON-CASH TRANSACTIONS — GROUP

Additions to building carried at cost of approximately HK$31,628,000 and HK$4,814,000 during the year ended 31 December 2011 were financed by bank loans and capitalised from non-current deposit respectively.

Additions to property, plant and equipment of approximately HK$81,073,000 (2011: HK$74,066,000) were financed by finance leases during the year ended 31 December 2012.

36. EVENT AFTER REPORT DATE — GROUP

Pursuant to the resolution passed in the board of management's meeting of Manta-Vietnam dated 10 January 2013, the board of management resolved to liquidate Manta-Vietnam.

On 25 January 2013, the Group entered into a sale and purchase agreement with a third party, to disposed its 15% equity interest in an available-for-sale investment, Shenzhen Nectar (Note 17).

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY

The Group is exposed to a variety of financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and fair value risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. It identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the board of directors.

(a) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's bank deposits and cash at bank balances were bearing floating interest rates. The Group also has bank borrowings, trade payables and finance leases payables which bore interests at fixed and floating interest rates. Exposure to interest rate risk exists on those balances subject to floating interest rate when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(a) Interest rate risk *(Continued)*

(i) Exposure

The following table details the interest rate profile of the Group's and the Company's financial instruments at the reporting date:

	Effective interest rate per annum		Carrying amount	
	2012	2011	**2012**	2011
	%	%	**HK$'000**	HK$'000
Group				
Variable rate instruments				
Financial assets				
Pledged bank deposits	**0.3**	0.4	**3,514**	3,519
Cash and cash equivalents	**0–1.4**	0–0.2	**125,699**	25,156
			129,213	28,675
Financial liabilities				
Bank borrowings	**4.5–7.5**	3.0–5.0	**44,787**	44,843
Finance lease payables	**3.2–8.6**	2.1–8.6	**144,020**	98,102
			188,807	142,945
Net exposure			**(59,594)**	(114,270)
Company				
Variable rate instruments				
Financial assets				
Cash and cash equivalents	**0–1.4**	0–0.2	**96,581**	1,111

The policies to manage interest rate risk have been followed by the Group and the Company consistently throughout the year.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(a) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

The following table illustrates the sensitivity of loss after income tax for the year and accumulated losses to a reasonably possible change in interest rates of +1% (2011: +1%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and all other variables are held constant.

	2012	2011
	HK$'000	HK$'000
Effect on profit/(loss) after income tax for the year and accumulated losses	**650**	(134)

A -1% (2011: -1%) change in interest rates would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

The Company has no significant interest rate risks.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business.

The Group continuously monitor defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties and customers.

The Group's management considers that all the above financial assets that are not impaired under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancement.

In respect of trade and other receivables and deposits, the Group is not exposed to any significant credit risk exposure to any single counterparty/customer or any group of counterparties/customers having similar characteristics. The credit risk for bank deposits and balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(c) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and it has operations in Hong Kong, Singapore, Vietnam and Macau. Income and expenses of the Group are primarily denominated in HK$, Singapore Dollars ("S$"), Euro ("EUR"), United States Dollars ("US$") and Vietnamese Dong ("VND"). Thus, it is exposed to foreign currency risk from currency exposures.

The Group's sales are mainly denominated in HK$, S$ and US$ while purchases are mainly denominated in HK$, EUR, S$ and US$. EUR and US$ are not the functional currencies of the Group entities to which these transactions relate.

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.

The policies to manage foreign currency risk have been followed by the Group consistently throughout the year and are considered to be effective.

Since HK$ are pegged to US$, there is no significant exposure expected on US$ transactions and balances arising in Hong Kong.

(i) Exposure

Foreign currency denominated financial assets and liabilities, translated into HK$ at the closing rates, are as follows:

	EUR HK$'000	USD HK$'000
2012		
Trade receivables	**–**	**282**
Cash and cash equivalents	**89**	**1,510**
Trade and bill payables	**1,479**	**24,043**
2011		
Trade receivables	–	114
Cash and cash equivalents	88	2,871
Trade and bill payables	7,825	19,773

The Company has no significant foreign currency risks.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(c) Foreign currency risk *(Continued)*

(ii) Sensitivity analysis

The following table illustrates the sensitivity of the Group's loss after income tax for the year and accumulated losses in regards to 1% (2011: 1%) appreciation in the Group's functional currencies against Euro and 1% (2011: 1%) against USD for the year. These rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at reporting date has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	EUR HK$'000	USD HK$'000
2012		
Loss after income tax and accumulated losses	**12**	**188**
2011		
Loss after income tax and accumulated losses	64	140

The same % depreciation in the Group's functional currencies against the respective foreign currencies would have the same magnitude on the Group's profit after income tax and retained earnings as shown above and equity but of opposite effect, on the basis that all variables remain constant (2011: -1%).

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(d) Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contractual undiscounted payments, was as follows:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than one year HK$'000	More than one year HK$'000
2012					
Financial liabilities					
— Trade and bill payables	**48,619**	**48,619**	**–**	**48,619**	**–**
— Accruals and other payables	**17,128**	**17,128**	**17,128**	**–**	**–**
— Amount due to immediate holding company	**5**	**5**	**5**	**–**	**–**
— Bank borrowings	**44,787**	**54,743**	**2,756**	**15,488**	**36,499**
— Bonds payable	**100,000**	**100,000**	**–**	**–**	**100,000**
— Finance lease payables	**144,020**	**169,459**	**–**	**57,954**	**111,505**
	354,559	**389,954**	**19,889**	**122,061**	**248,004**
2011					
Financial liabilities					
— Trade and bill payables	37,294	37,294	–	37,294	–
— Accruals and other payables	5,998	5,998	5,998	–	–
— Bank borrowings	44,843	55,931	3,595	10,126	42,210
— Finance lease payables	98,102	110,442	–	33,910	76,532
	186,237	209,665	9,593	81,330	118,742

For term loans which contain a repayment on demand clause that can be exercised at the bank's sole discretion, the analysis above shows the cash outflows based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(d) Liquidity risk *(Continued)*

Taking into account the Group's financial position the directors of the Company do not consider it probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled payment dates set out in the loan agreements which are summarised in the table below:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than one year HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	More than five years HK$'000
31 December 2012	**44,787**	**55,339**	**–**	**16,868**	**5,461**	**9,852**	**23,158**
31 December 2011	44,843	56,273	–	11,111	8,116	12,059	24,987

The Company has no significant liquidity risks.

(e) Fair value

The fair values of the Group's financial assets and liabilities were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of non-current liabilities were not disclosed because the carrying values were not materially different from the fair value.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(f) Summary of financial assets and liabilities by category

The categories of financial assets and financial liabilities at the reporting dates are included are as follows:

	2012 HK$'000	2011 HK$'000
Group		
Financial assets		
Loans and receivables		
— Trade receivables	**48,817**	45,506
— Other receivables and deposits	**3,528**	2,617
— Pledged bank deposits	**3,514**	3,519
— Cash and cash equivalents	**125,699**	25,156
	181,558	76,798
At cost less impairment loss		
— Available-for-sale investment	**580**	580
	182,138	77,378
Financial liabilities		
At amortised cost		
— Trade and bill payables	**48,619**	37,294
— Accruals and other payables	**17,128**	5,998
— Amount due to immediate holding company	**5**	–
— Bank borrowings	**44,787**	44,843
— Bonds payable	**100,000**	–
— Finance lease payables	**144,020**	98,102
	354,559	186,237
Company		
Financial assets		
Loans and receivables		
— Amounts due from subsidiaries	**14**	57,428
— Cash and cash equivalents	**96,581**	1,111
	96,595	58,539
Financial liabilities		
At amortised cost		
— Amounts due to subsidiaries	**173**	–
— Amount due to immediate holding company	**4**	–
— Accruals	**130**	277
	307	277

38. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns.

The Group monitors capital using a gearing ratio, which is net debts divided by total capital. Total debts are calculated as the sum of bank borrowings, bonds payable and finance lease payables as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

	2012 **HK$'000**	2011 HK$'000
Bank borrowings	**44,787**	44,843
Bonds payable	**100,000**	–
Finance lease payables	**144,020**	98,102
Total debts	**288,807**	142,945
Total equity	**198,030**	193,730
Total debt to equity ratio	**1.5**	0.7

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below:

	Year ended 31 December				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	262,537	183,509	139,376	154,139	**201,104**
Cost of sales and services	(186,117)	(92,720)	(71,266)	(79,230)	**(95,572)**
Gross profit	76,420	90,789	68,110	74,909	**105,532**
Other income	4,407	2,288	27,896	5,033	**7,646**
Selling and distribution expenses	(3,991)	(2,085)	(3,626)	(2,316)	**(4,833)**
Administrative expenses	(25,353)	(26,200)	(43,291)	(41,899)	**(53,449)**
Other operating expenses	(21,443)	(21,360)	(24,961)	(33,230)	**(39,767)**
Finance costs	(8,652)	(6,527)	(5,188)	(6,024)	**(15,687)**
Profit/(Loss) before income tax	21,388	36,905	18,940	(3,527)	**(558)**
Income tax credit/(expense)	(1,127)	(8,414)	1,907	2,351	**(1,399)**
Profit/(Loss) for the year	20,261	28,491	20,847	(1,176)	**(1,957)**
Other comprehensive income/(loss)					
Exchange difference arising on translating of foreign operations	(428)	4,454	6,789	(771)	**4,813**
Gain on revaluation of property held for own use, net of tax	—	1,618	1,038	1,775	**1,444**
Other comprehensive income/(loss) for the year	(428)	6,072	7,827	1,004	**6,257**
Total comprehensive income/(loss) for the year	19,833	34,563	28,674	(172)	**4,300**
Profit/(Loss) for the year attributable to:					
Owners of the Company	20,342	28,517	20,971	(1,071)	**(1,677)**
Non-controlling interests	(81)	(26)	(124)	(105)	**(280)**
	20,261	28,491	20,847	(1,176)	**(1,957)**
Total comprehensive income/(loss) attributable to:					
Owners of the Company	19,914	34,589	28,798	(67)	**4,580**
Non-controlling interests	(81)	(26)	(124)	(105)	**(280)**
	19,833	34,563	28,674	(172)	**4,300**

FIVE YEARS FINANCIAL SUMMARY

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
TOTAL ASSETS	246,710	280,538	331,085	410,258	**584,418**
TOTAL LIABILITIES	(187,013)	(186,278)	(137,183)	(216,528)	**(386,388)**
NON-CONTROLLING INTERESTS	(1,542)	(1,516)	(1,392)	(1,287)	**(1,007)**
	58,155	92,744	192,510	192,443	**197,023**