THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sunway International Holdings Limited (the "**Company**"), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase, or subscribe for securities of Sunway International Holdings Limited.

SUNWAY INTERNATIONAL HOLDINGS LIMITED
新威國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 58)

(I) VERY SUBSTANTIAL ACQUISITION INVOLVING THE ISSUE OF CONVERTIBLE NOTES AND (II) NOTICE OF SGM

A notice convening an SGM to be held at Room 1708–1710, Nan Fung Centre, 264–298 Castle Peak Road, Tsuen Wan, Hong Kong on Tuesday, 22 April 2014 at 10:30 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A proxy form for use at the SGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Ltd., 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending, and voting in person at, the SGM or any adjournment thereof should you so wish.

* *For identification purposes only*

31 March 2014

CONTENTS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

"Acquisition"	the proposed acquisition of the Sale Shares and the Shareholder's Loan by the Company pursuant to the Sale and Purchase Agreement
"Announcement"	the announcement of the Company dated 30 January 2014 in relation to, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
"associate(s)"	shall have the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday, Sunday and public holidays) on which banks are generally open for business in Hong Kong
"Company"	Sunway International Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisition pursuant to the Sale and Purchase Agreement
"Completion Date"	the third Business Day subsequent to the satisfaction of all conditions of the Sale and Purchase Agreement or the waiver thereof or such other date as agreed by the parties thereto in writing
"Consideration"	the consideration payable for the Sale Shares and the Shareholder's Loan under the Sale and Purchase Agreement
"Conversion Period"	the period commencing from the date of issue of the Convertible Notes up to 4:00 p.m. (Hong Kong time) on the Maturity Date
"Conversion Price"	HK$0.30 per Conversion Share

"Conversion Shares"	Shares to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Notes or otherwise pursuant to the terms and conditions of the Convertible Notes
"Convertible Notes"	convertible notes in the principal amount of HK$300 million to be issued by the Company to the Vendor (or his nominees(s)) as part of the Consideration
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion
"GAAP"	The Generally Accepted Accounting Principles
"Group"	the Company and its subsidiaries
"Guangdong Hengjia"	廣東恆佳建材股份有限公司, a company incorporated in the PRC with limited liability
"Guarantor"	Mr. Wang Zhining, being the guarantor of the Vendor
"HK Company"	Royal Asia International Limited, a company incorporated in Hong Kong with limited liability
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	31 January 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	3 May 2014 or such other date as the parties to the Sale and Purchase Agreement may agree in writing
"Maturity Date"	28 April 2017, being the maturity date of the Convertible Notes

"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, Macau and Taiwan
"Profit Guarantee"	the irrevocable profit guarantee provided by the Vendor and the Guarantor to the Purchaser that the consolidated after-tax net profit of the Target Group being not less than RMB30 million for each of the three financial years ended 31 December 2016
"Promissory Note"	the interest-free promissory note in the principal amount of HK$100,000,000 due on 31 December 2016 to be executed by the Company in favour of the Vendor as part of the Consideration
"Purchaser"	First Billion Global Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of PRC
"Sale and Purchase Agreement"	the conditional sale and purchase agreement in relation to the Acquisition dated 3 October 2013 (as supplemented by a supplemental agreement dated 30 January 2014) entered into between the Purchaser, the Vendor and the Guarantor
"Sale Share(s)"	one (1) ordinary share of US$1.00 each fully paid in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)

"Shareholder's Loan"	the shareholder's loan due from the HK Company to the Vendor at Completion, along with all relevant right and title and interest
"sq. m."	square meter(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Code on Takeovers and Mergers of the Securities and Futures Commission of Hong Kong
"Target Company"	Joint Expert Global Limited, a company incorporated in the British Virgin Islands with limited liability, with one (1) ordinary share being issued and fully paid up as at the date of the Sale and Purchase Agreement
"Target Group"	Target Company and its subsidiaries
"Vendor"	Mr. Xiao Guang Kevin, the legal and beneficial owner of the entire issued share capital of the Target Company
"Zhuhai Hoston"	Zhuhai Hoston Special Materials Co., Ltd. (珠海和盛特材股份有限公司), a Sino-foreign joint venture with limited liability incorporated in the PRC
"Zhuhai Hoston Group"	A consolidated group formed in December 2012 comprising Zhuhai Hoston and Guangdong Hengjia
"%"	per cent

The English translation of Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words

SUNWAY INTERNATIONAL HOLDINGS LIMITED
新威國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 58)

Executive Directors:
Wong King Ching, Helen *(Chairman)*
Wong King Man *(Deputy Chairman)*
Leung Chi Fai

Non-executive Directors:
Wong Kim Seong
Wong Chun Ying

Independent Non-executive Directors:
Fong Yin Cheung
Hung Yat Ming
So Day Wing

Registered Office:
Codan Services limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business:
Room 1708-1710
Nan Fung Centre
264-298 Castle Peak Road
Tsuen Wan, New Territories
Hong Kong

31 March 2014

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION INVOLVING THE ISSUE OF CONVERTIBLE NOTES

INTRODUCTION

On 30 January 2014, the Board announced that the Company and the Purchaser entered into the Sale and Purchase Agreement with the Vendor and the Guarantor, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares and the Shareholder's Loan at a Consideration of HK$550 million. According to the information provided by the Vendor and the Target Group, the Target Group is principally engaged in the production of building and construction materials in the PRC, in particular PC steel bars, PHC piles, ready-mixed concrete and various types of bricks.

* *For identification purposes only*

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition; (ii) the financial information of the Group; (iii) the financial information of the Target Group; (iv) the independent valuation report on the Target Company; (v) letter from BDO Limited relating to the independent valuation report; (vi) letter from Bridge Partners Capital Limited relating to the independent valuation report; and (vii) the notice of the SGM.

THE SALE AND PURCHASE AGREEMENT

Date:

3 October 2013

Parties:

(1) the Purchaser;

(2) the Company;

(3) the Vendor; and

(4) the Guarantor

The Purchaser is a wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and the Guarantor are third parties independent of the Company and its connected persons. The Guarantor is the legal representative and chairman of Zhuhai Hoston. With substantial experience and know-how in the industry of the Target Group business, the Guarantor has been heavily involved in the day to day management and operations of Zhuhai Hoston since late 1995 and he is extremely familiar with the business operations of Zhuhai Hoston and all other related aspects. In addition, the Guarantor is a close friend of the Vendor for more than 30 years. In this connection, the Purchaser requested the Guarantor to join the Vendor as a party to provide the Profit Guarantee as well as to give the warranties and representations under the Sale and Purchase Agreement.

Assets to be acquired

The Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares and the Shareholder's Loan at a Consideration of HK$550 million. The Sale Shares represent 100% of the issued share capital of the Target Company (for further details of the shareholding structure of the Target Group, please refer to the section headed "Shareholding Structure of the Target Group" of this circular).

Subject to the satisfaction of the conditions to the Sale and Purchase Agreement and upon the terms thereof, the Vendor shall sell and the Purchaser shall, in reliance on the warranties, purchase or procure the purchase of the Sale Shares free from all rights of options, liens, claims, equities, encumbrances, pre-emption or third-party rights of any nature and other rights and interests now or hereafter becoming attached or accruing thereto as from Completion Date.

In addition, the Vendor shall assign to the Purchaser or its nominee absolutely with effect from Completion, and the Purchaser shall purchase, all the right, title and interest in the Shareholder's Loan free from any encumbrances at Completion Date.

As at the Latest Practicable Date, the principal asset of the Target Company is the entire issued share capital of the HK Company, which directly owns 95% of the equity interest in Zhuhai Hoston and indirectly owns 66.5% of the equity interest in Guangdong Hengjia. The businesses of the Target Group are set out in the section headed "Information on the Target Group" of this circular.

Consideration

The aggregate Consideration payable by the Purchaser to the Vendor shall be HK$550 million and is to be satisfied as follows:

(i) as to HK$150 million in cash by the Purchaser to the Vendor upon Completion;

(ii) as to HK$300 million by procuring the Company to issue to the Vendor the Convertible Notes in the aggregate principal amount of HK$300 million upon Completion; and

(iii) as to HK$100 million by means of the Promissory Note to the Vendor,

The Consideration was arrived at after arm's length negotiation between the Company and the Vendor and was determined with reference to the preliminary valuation ("**Preliminary Valuation**") of the entire equity interest of the Target Company of HK$564,860,000 as at 30 November 2013 prepared by Peak Vision Appraisals Limited, and the future prospects of the Target Group as discussed in the section headed "Reasons for the Acquisition" of this circular.

The cash portion of the Consideration of HK$150 million will be partially satisfied by the Company's internal resources and partially by a three years interest-free term loan in the principal amount up to HK$150 million to be provided by the Company's chairman pursuant to an irrevocable undertaking. The Company will not provide any collateral to the Chairman under the aforesaid loan. As disclosed in the announcement of the Company dated 31 March 2014, the Vendor has unconditionally and irrevocably agreed and confirmed to accept either cash or a post-dated cheque falling due on the date after 18 months upon Completion for the settlement of the cash consideration. As a result, the Company is allowed to delay settlement of the said HK$150 million cash consideration by 18 months. As at 30 September 2013, being the latest available cash position of the Company as disclosed in the Company's Annual Report 2013, the cash and cash equivalents amounts to approximately HK$148 million.

As the Preliminary Valuation was arrived at using the discounted cash flow method under the income-based approach for business valuations and adopted certain assumptions in preparing the said preliminary valuation, the Preliminary Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. There has been no material change from the Preliminary Valuation to the finalized valuation report, which has been set out in Appendix IV of this circular.

Conditions Precedent

Completion of the Sale and Purchase Agreement is conditional upon the following conditions being fulfilled and/or waived by the Purchaser at its discretion:

(a) approval by the Stock Exchange of all necessary announcement and circular to be released by the Company in compliance with the Listing Rules;

(b) completion of the due diligence by the Purchaser on the Target Group, including but not limited to its of properties, assets, liabilities, business, prospects, financial, legal and other circumstances and conditions, and the Purchaser being satisfied with the results of such due diligence at its reasonable discretion;

(c) passing of the ordinary resolution on the SGM by the Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Promissory Note, the Convertible Notes and the Conversion Shares;

(d) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares;

(e) the Purchaser having obtained a PRC legal opinion (in such form and substance satisfactory to the Purchaser) from a qualified PRC lawyer appointed by the Purchaser, confirming, inter alia, the followings:

(i) the HK Company having beneficially owned 95% of the equity interest in the registered and paid-up capital of Zhuhai Hoston, and having obtained the certificate of Sino-foreign joint ventures enterprise, the business license and all necessary approvals, authorizations and/or permits;

(ii) Zhuhai Hoston having beneficially owned 70% of the equity interest in the registered and paid-up capital of Guangdong Hengjia, and having obtained the enterprise certificate, the business license and all necessary approvals, authorizations and/or permits;

(iii) Zhuhai Hoston and Guangdong Hengjia having obtained all reasonable relevant approvals, permits, licenses and/or consents as reasonably required for and in connection with the carrying on of their businesses, including but not limited to those issued by the State Administration of Foreign Exchange of the PRC, the State Administration for Industry & Commerce of the PRC and the Ministry of Commerce of the PRC (if applicable);

(iv) Zhuhai Hoston and Guangdong Hengjia having legally obtained the land use rights certificates, real estate licenses and having paid up all the payments; and

(v) All other matters to be included as reasonably requested by the Purchaser.

(f) the Purchaser not having discovered or known from the date of the Sale and Purchase Agreement and up to Completion that there being any abnormal operations or any material adverse change in the financial, business, performance, or business prospects in respect of the Target Group;

(g) upon Completion, the Vendor's representations and warranties remaining true and accurate and not misleading as if they are repeated at Completion and any time in the period from the date of the Sale and Purchase Agreement to Completion;

(h) at the request of the Purchaser, the nominees of the Purchaser being appointed as the legal representatives and directors of Zhuhai Hoston and Guangdong Hengjia (not less than half of the composition of each board); and

(i) the Vendor having provided a written legal opinion (in such form and substance satisfactory to the Purchaser) from a British Virgin Islands lawyer, confirming the due incorporation and subsisting of the Target Company, the Vendor being the legal and beneficial owner of the Sale Shares, and the Target Company having obtained all necessary licenses, consents and permits in relation to its existing business and development.

Conditions (a), (c) and (d) could not be waived, while others are waivable. However, the Company has no intention to waive any of the above conditions and the Company will duly inform the Shareholders if it decides to waive any of them. If any of the above conditions precedent has not been fulfilled or waived in writing by the Purchaser on or before the Long Stop Date, the Sale and Purchase Agreement will be terminated and all obligations and liabilities of the parties will forthwith cease and determine, except for any antecedent breaches. As at the Latest Practicable Date, none of the above conditions has been fulfilled. However, in respect of the condition (e), the Company's PRC legal adviser, namely Grandall Law Firm (Shenzhen)# (國浩律師（深圳）事務所), is of the view that, the Target Group is in compliance with applicable laws and regulations in all material aspects and has obtained all necessary permits, licences and approvals for its current business operations in all material aspects.

Completion

Subject to the fulfillment and/or waiver of the conditions set out above, Completion shall take place on the Completion Date or at such other time as the Company and the Vendor may agree in writing.

On Completion Date, Convertible Notes in the principal amount of HK$100 million shall be pledged to the Purchaser by the Vendor (the "**Pledged Convertible Notes**") to secure the Profit Guarantee and representations and warranties given by the Vendor.

Upon Completion, the Vendor shall nominate two directors to join the Board, and the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

After-Tax Profit Guarantee

The Vendor and the Guarantor guarantee and undertake to the Purchaser that, the consolidated after-tax net profit of the Target Group, shown in the audited accounts prepared by a certified accountant in Hong Kong approved by the Purchaser and in accordance with the Hong Kong GAAP, for each of the three financial years ended 31 December 2016, shall not be less than RMB30 million. The amount of guaranteed profit is determined based on the business negotiation among the parties with reference to the unaudited net profit after taxation of the Zhuhai Hoston Group for the year ended 31 December 2012 and the nine months ended 30 September 2013 which amounted to approximately HK$31 million and approximately HK$34.5 million respectively.

In the event that the said consolidated after-tax net profit of the Target Group being less than the Profit Guarantee, the Vendor and the Guarantor shall be liable to pay the Purchaser, within seven (7) Business Days after the said audited accounts are finalized, for the deficient amount based on the below formula:

Deficient Amount = Profit Guarantee – Net Profit

In the event that the Vendor and the Guarantor failed to make timely payment for the deficient amount and all relevant expenses, the Purchaser shall have the right to deduct such deficient amount from the Pledged Convertible Notes.

The Company shall release the Pledged Convertible Notes to the Vendor after fulfillment of the Profit Guarantee and other obligations after each of the three financial years in the following manner:

(a) the Convertible Notes in the principal amount of HK$30 million or the balance thereof to be released before 28 April 2015;

(b) the Convertible Notes in the principal amount of HK$30 million or the balance thereof to be released before 28 April 2016; and

(c) the balance of the Convertible Notes to be released before 28 April 2017.

The terms regarding the amount and duration of the Profit Guarantee are reached as a result of business negotiation and commercial decision.

The Convertible Notes

Pursuant to the Sale and Purchase Agreement, as part payment of the Consideration, the Company will issue to the Vendor the Convertible Notes in an aggregate principal amount of HK$300 million upon Completion.

The principal terms of the Convertible Notes are summarized as follows:

Issuer:	The Company
Noteholder(s):	The Vendor (or his nominee(s))
Principal amount:	HK$300 million
Interest:	Nil
Maturity:	28 April 2017. At 4:00 p.m. on the Maturity Date, any Convertible Notes not being redeemed or converted shall be automatically converted into Conversion Shares at the Conversion Price subject to compliance with the Listing Rules and the Takeovers Code. If any such conversion may breach the Listing Rules or the Takeovers Code, the Company may convert such sum of the Convertible Notes into Shares as it considers appropriate and the remaining balance of any Convertible Notes will be cancelled immediately.
Conversion Price:	The Conversion Price shall be HK$0.30 per Conversion Share.

The Conversion Price of HK$0.30 represents:

(i) a premium of approximately 1.69% to the closing price of HK$0.295 per Share as quoted on the Stock Exchange on 30 September 2013, being the last full trading day before the Shares were suspended for trading on the Stock Exchange pending the release of the Announcement;

(ii) a premium of approximately 18.39% to the average closing price of approximately HK$0.253 per Share as quoted on the Stock Exchange for the five (5) consecutive full trading days up to and including 30 September 2013, being the last full trading day before the Shares were suspended for trading on the Stock Exchange pending the release of the Announcement; and

(iii) a discount of approximately 33.18% over the net asset value per Share of HK$0.449 as at 30 September 2013, which is calculated based on the number of Shares of 1,016,001,301 in issue as at the Latest Practicable Date and the net assets of approximately HK$456,473,000 of the Company as at 30 September 2013;

	The Conversation Price was agreed after arm's length negotiations between the Company and the Vendor, with reference to the then trading price of the Shares on the Stock Exchange and the then market sentiment of the stock markets when the negotiation on the Acquisition took place. The Conversion Price will from time to time be adjusted upon the occurrence of, among other matters, consolidation or subdivision of Shares, capitalisation issues, capital distribution, rights issues, issue of shares and other dilutive events, being customary dilutive events which usually appear in convertible securities in the market.
Conversion right:	Provided that (i) any conversion of the Convertible Note shall not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Notes which exercised the Conversion Rights, whether or not such mandatory offer obligation is triggered off by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the Conversion Rights attaching to the Convertible Notes (if applicable, including any Shares acquired by the parties acting in concert with the holder(s) of the Convertible Notes) represents 30% or more (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with the Listing Rules, the holder of the Convertible Notes shall, subject to compliance with the procedures set out in the conditions, have the right at any time during the Conversion Period to convert the whole or part of the outstanding principal amount of the Convertible Notes registered in its name into Shares (the "**Conversion Restrictions**").

Ranking of Conversion Shares:	The Conversion Shares shall rank pari passu in all respects with all other existing Shares outstanding on the date of conversion and the holder of the Convertible Notes shall be entitled in respect of its Conversion Shares to all dividends and other distributions the record date of which falls on a date on or after the date of conversion.
Voting:	The holder(s) of the Convertible Notes will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it/they being the holder(s) of the Convertible Notes.
Transferability:	The Convertible Notes (nor any part thereof) may be assigned or transferred by the holder subject to the prior notification to the Company. The Convertible Notes (or any part thereof) may not be assigned or transferred to a connected person of the Company without the prior written consent of the Company. In respect of transfer to connected person, upon the grant of written consent by the Company and subject to any conditions, approvals, requirements and any other provisions, the Convertibles Notes may be transferred if, and only if, the transfer is in accordance with its provisions.
Early redemption:	The Convertible Notes can be early redeemed by the Company before the Maturity Date in amount of not less than a whole multiple of HK$10,000,000.
Conversion Shares:	Assuming the issue of the Convertible Notes is completed and based on the Conversion Price of HK$0.30 per Conversion Share, a number of 1,000,000,000 Conversion Shares will be allotted and issued if the conversion rights attaching to the Convertible Notes are exercised in full, representing approximately 98.43% of the issued share capital of the Company as at the Latest Practicable Date and approximately 49.60% of the Company's issued share capital as enlarged by the allotment and issue of the Conversion Shares in full. The Conversion Shares will be issued and allotted under the specific mandate of the Company. The Directors proposed to seek approval from the Shareholders at the SGM to issue the Conversion Shares.

Listing:	No application will be made for the listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

INFORMATION ON THE TARGET GROUP

The following sets out the information relating to the Target Group as provided by the Vendor:

The Target Company

The Target Company is an investment holding company incorporated in the British Virgin Islands on 28 May 2013. As represented by the Vendor, the Target Company has not commenced any business operation since its incorporation except for its indirect holding in Zhuhai Hoston and Guangdong Hengjia.

The HK Company

The HK Company is an investment holding company incorporated in Hong Kong on 1 April 1998 and is wholly-owned by the Target Company. Save and except for the 95% equity interest in Zhuhai Hoston and the Shareholder's Loan, the HK Company has no other material assets and liabilities as at the Latest Practicable Date.

Zhuhai Hoston

Zhuhai Hoston is a Sino-foreign joint venture incorporated in the PRC with limited liability on 3 November 1995 and changed to limited liability by shares on 29 March 2001. Zhuhai Hoston is principally engaged in the business of research and development, production and sale of pre-stressed ("**PC**") steel bars, steel strand wires, various pre-stressed materials and their respective production equipment, and industrial and building pre-stressed materials. Throughout year 2000 to 2011, the HK Company had held 25% equity interest in Zhuhai Hoston. In December 2012, a further equity interest of 25.4% was acquired and Zhuhai Hoston became a subsidiary of the HK Company since then. In March 2013, the equity interest of Zhuhai Hoston held by the HK Company was further increased to 95%. As at the Latest Practicable Date, Zhuhai Hoston owns 70% equity interest in Guangdong Hengjia which was acquired by it in November 2012.

Guangdong Hengjia

Guangdong Hengjia is incorporated in the PRC on 11 September 2007 with limited liability. Guangdong Hengjia is principally engaged in the business of production and sale of pre-stressed high-strength concrete ("**PHC**") piles, tubular cement products, high strength ready mixed concrete, autoclaved sand-lime bricks, aerated concrete products and permeable concrete products.

Overview of the PRC economy

Driven by its reform and opening up policy, the economy in the PRC has experienced significant growth over the past 30 years with massive investments in infrastructure and land development by the PRC Government and private investors. Although the global financial crisis had caused the global economy to enter into a recession in late 2008, the PRC had maintained positive growth in its nominal GDP, which increased from RMB34,090 billion in 2007 to RMB56,885 billion in 2013 at a compound annual growth rate (the "**CAGR**") of 13.7%. In line with its GDP growth, the PRC's GDP per capita increased from RMB25,545 in 2009 to RMB41,806 in 2013 at a CAGR of 13.1%.

The following table sets out the population, the nominal GDP, the GDP per capita, and the investment in fixed assets and their CAGR for the periods indicated.

	2009	**2010**	**2011**	**2012**	**2013**	**2009–2013 CAGR**
Population (million)	1,334.5	1,340.9	1,347.4	1,354.0	1,360.7	0.5%
Nominal GDP (RMB in billions)	34,090	40,151	47,310	51,947	56,885	13.7%
GDP Per Capita (RMB)	25,545	29,943	35,112	38,366	41,806	13.1%
Fixed assets Investment (excluding rural households) (RMB in billions)	19,392	24,380	30,240	36,485	43,653	22.5%
Real GDP growth (%)	9.2	10.4	9.3	7.7	7.7	–

Sources: China Statistical Yearbook 2012, bulletin from the National Bureau of Statistics of China

In order to prevent the PRC's economy from overheating and to achieve steady economic growth, the PRC Government has upheld the general tone of "moving forward while maintaining stability" and has taken various measures to control the economic structure in the last decade. As a result, the real GDP growth in 2012 and 2013 have smoothed to 7.7%.The PRC Government have set the real GDP growth rate target of 7.5% per annum for the five-year plan which ends in 2015, a more moderate annual growth target which aims to achieve higher-level, higher-quality development over a longer period of time.

Overview of the Construction Material Industry in the PRC

The promising economic performance in the PRC has driven the needs for commercial buildings and public facilities as the cities develop, thereby fueling the demand for construction materials. According to the National Bureau of Statistics of the PRC, the value-added of construction enterprises has increased at a CAGR of 14.9% over the last four years. The floor space of houses under construction in 2013 doubled that of 2009 and the sales of building materials in the PRC in 2012 doubled that of 2009.

	2009	2010	2011	2012	2013	2009–2013 CAGR
Value-added of construction enterprises (RMB in billions)	2,240	2,666	3,194	3,549	3,900	14.9%
Floor space of houses under construction (million sq. m.)	3,204	4,054	5,068	5,734	6,656	20.1%
Sales of building materials (RMB in billions)	438.9	596.6	876.3	998.1	N/A	NA

Sources: China Statistical Yearbook 2012, bulletin from the National Bureau of Statistics of China

The growth in supply for construction materials in the PRC is matched to the rising demand. According to the National Bureau of Statistics of China, the output of rolled steel reached 1,068 million tons in 2013, up 11.7% over 2012, and the output of cement reached 2,420 million tons, up 9.3% over 2012. The Directors expect this growth to continue because of continuing urbanisation and anticipated investments in infrastructure and real estate, which are key growth drivers for the construction material industry.

The figure accounted for investment in the development of residential properties, amounting to RMB454.10 billion and representing a growth of 22.6% year on year. Industry wise, the information from the China Concrete & Cement Products Association# (中國混凝土及水泥製品協會) shows that there were only 20 manufacturers of PHC piles in the PRC in 1993. By the end of September 2012, it was roughly estimated that the number of enterprises engaged in the production of PHC piles has substantially increased to approximately 500. The size of production of the industry has increased from 200,000 to 300,000 meters in 1980s to 800,000 to 1,500,000 meters in late 1990s. The annual production volume has risen from 3 million meters in 1993 to 350 million meters in 2011.

Overview of the Construction Material Industry in the Guangdong Province

As a relatively developed region, the construction industry in the Guangdong Province has not observed the same strong growth as compared to that of the PRC in general, but there is a reasonably stable and satisfactory growth as reflected in the statistics published by the Guangdong Statistics Bureau. The value-added of construction enterprises and the floor space of houses under construction have increased at a CAGR of 10.9% and 15.5% over the last four years respectively.

	2009	2010	2011	2012	2013	2009–2013 CAGR
Value-added of construction enterprises (RMB in billions)	1,324	1,552	1,798	1,888	2,001	10.9%
Floor space of houses under construction (million sq. m.)	301	331	379	419	535	15.5%

Sources: Guangdong Statistics Bureau

According to the statistics released by the Guangdong Statistics Bureau, the real estate developers reaped a total of RMB894.11 billion from property sales in 2013, representing 39.5% more than that in 2012, after seeing a 59.8% surge in the first six months. The province's investment in property development grew by 21.5% year on year to RMB651.95 billion in 2013.

Competition

The construction material industry is generally a regional industry. In the Guangdong province, these markets are intensively competitive in terms of price, geographic location and brand name recognition. Construction materials prices are significantly affected by the transportation costs for both raw materials and finished products, due to their low value to weight ratio. As far as the Directors are aware of, there are a number of competitors comprising of both national and regional property developers that the Group has identified in the region of Guangdong as below:

Name of the competitors	**Product of the competitor**
Nantong Jiaotong Steel Rope Co., Ltd.# 南通市交通鋼繩有限責任公司	PC steel bar
Yangjiang Jianhua Concrete Pile Co., Ltd.# 陽江建華管樁有限公司	Concrete pile
Yangjiang New Group Concrete Co., Ltd.# 陽江市新群混凝土有限公司	Concrete
Yangjiang Yonggu Modern Environmental Construction Materials Co., Ltd.# 陽江市永固新型環保建材有限公司	Aerated concrete

It is normal for a concrete or steel bars production plant's market to be concentrated within a sales radius, primarily because the products are heavy, bulky, used in large volumes and costly to transport. As a result, the competitive environment in the areas surrounding construction materials plants, in addition to the price and quality of a product, determines the competitiveness of such a product.

Entry barriers

The barriers of entry for the PRC building material industry include: (i) securing production qualifications for producing industrial products; (ii) obtaining certificates for product quality and establishing quality control systems; and (iii) building strong research and development capabilities. These barriers are in addition to the challenges normally faced in the building materials business, namely the increasingly competitive environment and increases in the cost of raw materials. Zhuhai Hoston and Guangdong Hengjia have obtained various national and international certificates.

Future opportunities

In September 2009, the executive meeting of the State Council of the PRC announced the Hengqin Island Development Planning# (橫琴總體發展規劃), in which a number of major construction projects have been discussed and planned to develop Hengqin Island into a tourist area with many hotels and luxury resorts neighboring Zhuhai City and Macau. It is expected that these potential construction projects represent business opportunities and will contribute to the revenue for the Target Group in the coming years.

Business model of the Target Group

Zhuhai Hoston and Guangdong Hengjia are building and construction materials manufacturers specialized in production of PC steel bars, PHC piles, ready-mixed concrete and various types of bricks, etc. in the PRC that are of high quality. The two main production bases of the Target Group are located in Zhuhai City and Yangjiang City which mainly supply building and construction materials for residential, commercial and infrastructure construction projects in the region nearby. Under the current business model, Zhuhai Hoston undertakes the production of PC steel bars while Guangdong Hengjia is engaged in the manufacture and sale of PHC piles, concrete and bricks etc. Their products are widely recognized and certified by official authorities and international organizations. For instance, Zhuhai Hoston and Guangdong Hengjia have been certified by the International Organization for Standardization for its quality management and assurance. The PC steel bars have been certified as quality product by the China Quality Check Association# (中國質量檢驗協會), a professional body under the General Administration of Quality Supervision, Inspection and Quarantine of the PRC. Besides, Guangdong Hengjia has obtained the certificate as a qualified enterprise for the construction industry by local government. The Board expects the Target Group will benefit from the strong economic growth of the territory given the scale of its operation and high quality products.

Production Bases

Based on the information provided by the Vendor, the production base of Zhuhai Hoston is located in the Zhuhai City, which comprises nine blocks of one-storey to four-storey buildings used as offices building, warehouses, workshops, power distribution room and dormitory, with total gross floor area of approximately 11,058.68 sq. m. The base comprises various facilities and equipment for pre-stress processing of steel bars. There are five production lines with total production capacity of 80,000 tonnes per annum. The current utilization rate is 62.5%. As at 30 November 2013, there are 62 staff in total working at the base.

The production base of Guangdong Hengjia is located in Yangjiang City, which is responsible for the manufacturing of piles, concretes and bricks, and was staffed with a total of approximately 500 workers as at 30 November 2013. It comprises with four blocks of one-storey to four-storey buildings used as offices building, pipe pile workshop and two dormitories with a total gross floor area of approximately 12,295.93 sq. m. Furthermore, there are ancillary structures comprising a workshop, warehouse, boiler room, guard room, power distribution room, a coal shed and other structures etc., with total gross floor area of approximately 19,349.11 sq. m. The table below shows the relevant information of each production line by product:

Products	Unit	Number of production lines	Maximum Capacity	Production Target in 2016
PHC piles	meters per annum	2	3,181,920	4,381,572
Ready-mixed concrete	cubic meters per annum	2	600,000	536,146
Autoclaved aerated concrete	cubic meters per annum	2	488,840	408,739
Autoclaved sand line bricks	bricks per annum	6	72,000,000	82,570,000
Water permeable bricks	sq. m. per annum	1	1,200,000	908,432

Source: Management of Guangdong Hengjia

Products

(i) PC steel bars

PC steel bars are mainly used as the reinforcing wires of PHC piles. PC steel bars were invented in Japan with characteristics of high strength, low relaxation, high resistance to corrosion, adequate ductility and high bendability. The manufacturing process first begins with cleaning and descaling to remove dirt and scale from the hot-rolled steel wire rod before feeding through the wire drawing dies. The cleaned and descaled wire is then coated with chemical components and pulled through a series of wire drawing dies to reduce its size. The wire is then drawn to the required diameter and to give its mechanical properties such as strength and hardness. It is finally stabilized by removing mechanical stress through thermal treatment process. Apart from making PHC piles, the PC steel bars generally have the following applications:

- Bridges & buildings;
- Railway sleepers;
- Pipes;
- Hollow core slabs; and
- Poles.

(ii) *PHC piles*

The PHC piles offer an economic, deep foundation system for structures with consistent and superior quality compared to other types of concrete piles. PHC piles are now widely used in civil and residential construction as foundation piles for marine structures, civil engineering works, bridges, harbors, buildings and government projects, etc. The PHC piles are manufactured in sizes ranging from 300mm to 600mm diameter with standard lengths varying from 5m to 15m.

(iii) *Ready-mixed concrete*

Ready-mixed concrete is a concrete that is specifically manufactured in a factory and then delivered to a work site. It is sometimes more preferable than on-site concrete mixing because of the reduced worksite activity and environmental concerns.

(iv) *Autoclaved aerated concrete*

Autoclaved aerated concrete is a lightweight and precast environmental building material that provides structure, insulation, and fire and mold-resistance. It is made with fine aggregates, cement, and an expansion agent that causes the fresh mixture to rise like bread dough. Its lightweight properties make it easy to cut and cost saving. It resists water, rot, mold, mildew, and insects. In addition, it is also effective at fire resistance and sound insulation.

(v) *Bricks*

Bricks have multiple applications and are designed with unique characteristics shown as follows:

- Autoclaved sand lime bricks

  Sand lime bricks are manufactured by mixing sand, fly ash and lime in appropriate proportion that is finally molded under pressure. Bricks made by mixing lime and fly ash are suitable for use in masonry just like common clay bricks with additional benefits including adequate strength, uniformity in shape, lightweight and environmentally friendly. Such bricks are a new type of building material that are highly promoted by the PRC government.

- Water permeable bricks

  Water permeable bricks are made of clay, water, industrial wastes and other eco-friendly materials with water permeability. They are widely used for pavements of sidewalks, parks, gardens, parking lots and residential areas. The use of water permeable brick pavements can minimize localized flooding by filtrating and treating raining water on site which eases the load on city sewers and stream channels and replenishes groundwater aquifers with clean water. Furthermore, it can allow air and water to reach tree roots easily and maintain a moderate temperature and humidity of the surrounding area.

- Grass paver bricks

  Grass paver bricks allow the growing of grass or other plant material in spaces which enable the natural beauty of grass and the strength of concrete to combine in a variety of applications.

Furthermore, Guangdong Hengjia is also capable of manufacturing other alternatives to bricks including hollow concrete blocks, curbstones and blocks specific for dock building, etc.

Suppliers

As advised by the management of Zhuhai Hoston, metal wire is the principal raw material for the production of PC steel bars. Therefore, Zhuhai Hoston has entered into letters of intent with three local enterprises to secure the supply of metal wire until 2016.

The major raw materials used in the manufacturing of the products of Guangdong Hengjia include PC steel bars, coal ash, river sand, limestone and concrete etc. To prevent shortage in supply of raw materials, Guangdong Hengjia procures its raw materials from a variety of different reliable sources that are easily accessible. In general, most of the materials can be obtained at a distance within 50 kilometers from the production base, and thus reduces the transportation cost of the raw materials.

Set out below are the respective top five suppliers of Zhuhai Hoston and Guangdong Hengjia:

Zhuhai Hoston

	Principal business
Supplier A	trading of steel and paper
Supplier B, C, D, E	production of various types of steel products

For the year ended 31 December 2013, the sum of purchases from the top five suppliers of Zhuhai Hoston contributed to approximately 81% to its total purchases.

Guangdong Hengjia

	Principal business
Supplier A	production of cements
Zhuhai Hoston	production of PC steel bars
Supplier B	production of corner post, pile end plate, and U-steel
Supplier C	production of coal
Supplier D	production of gasoline

For the year ended 31 December 2013, the sum of purchases from the top five suppliers of Guangdong Hengjia contributed to approximately 47% to its total purchases.

Customers

The products of Zhuhai Hoston and Guangdong Hengjia are sold to pile manufacturers, building materials producers, contractors and property developers in the Guangdong province for construction of residential and commercial properties, government buildings and infrastructure projects. They are used extensively in different constructions located in Western Guangdong Province such as docks, roads, museums and buildings.

Set out below are the respective top five customers of Zhuhai Hoston and Guangdong Hengjia:

Zhuhai Hoston

	Principal business
Customer A	production of PHC piles and ready-mixed concrete
Customer B	construction contracting
Customer C	production of pre-stressed high-strength piles
Guangdong Hengjia	production of PHC piles, ready-mixed concrete, autoclaved aerated concrete and bricks
Customer D	production of pre-stressed high strength piles

For the year ended 31 December 2013, the sum of sales to the top five customers of Zhuhai Hoston contributed to approximately 59% to its total sales.

Guangdong Hengjia

	Principal business
Customer A	Individual
Customer B	real estate development and construction
Customer C	Individual
Customer D	real estate, industrial park, agricultural market, and hotel and restaurant development
Customer E	construction, public facilities, and real estate development and management subcontracting

For the year ended 31 December 2013, the sum of sales to the top five customers of Guangdong Hengjia contributed to approximately 23% to its total sales.

Sales and marketing

Currently, as Zhuhai Hoston and Guangdong Hengjia are well known in their respective regions and have long term relationships with their customers, existing or new customers often come to Zhuhai Hoston or Guangdong Hengjia for quotation when there are new regional construction projects. If the customers accept the quotation, they will place an order for the products, detailing product type, unit price, quantity and delivery periods. The management plans to expand its marketing department and to take a more active role in client communication to expand its sales to other regions.

As the products of Zhuhai Hoston and Guangdong Hengjia are wide in types and are often produced in specific quantities required by their customers, the price for a product is often decided after direct negotiations with the customer. There are also many other factors that are considered in determining the prices, including but not limited to (i) the cost of production; (ii) the production capacity; (iii) the relationship with the customer; and (iv) the payment terms.

Inventory and distribution

Zhuhai Hoston and Guangdong Hengjia use leveled production and keep certain quantity of finished goods as a percentage to its projected total sales for the next month(s) as inventory. As a result, the inventory level will tend to be lower in the peak seasons. During the periods where the prices of raw materials needed for production are low, Zhuhai Hoston and Guangdong Hengjia may also increase its inventory of raw materials. Finished goods of Zhuhai Hoston will be kept at the production bases for the clients to pick up, who typically arrange the transportation at their own costs; while Guangdong Hengjia often uses its own trucks for products deliveries.

Management team

Set out below are the biographies of the management members of the Target Group:

Mr. Wang Zhining, being the Guarantor, is the legal representative and chairman of Zhuhai Hoston. Mr. Wang has been responsible for the daily management and operations of Zhuhai Hoston since late 1995 and has in depth understanding of the business operations of Zhuhai Hoston and all other related aspects.

Mr. Huang Tian, joined Zhuhai Hoston as the general manager since 2010, has substantial experience in the construction materials industry.

Mr. Li Yang, holder of a master degree from the Monash University of Australia, has joined nZhuhai Hoston as the factory manager since 2007.

Ms. Huang Ruiyi, holder of a degree in accounting, has 15 years of work experience and has joined Zhuhai Hoston as the manager of the finance department since 2005.

Mr. Lin Zhenjun, aged 40, has over 10 years of supervisory experience. Mr. Lin has held the position as the chairman of Yangjiang City KangFu Medical Equipment Limited# (陽江市康福醫療器械有限公司) from 2001 to 2007 and has been the chairman of Guangdong Hengjia since 2007.

Mr. Xu Dun, aged 50, was graduated from the Open University of China# (中央廣播電視大學). Mr. Xu has held the position as the director of Guangdong Hengjia since 2011.

Mr. Lin Yepan, aged 40, was graduated from the Renmin University of China# (中國人民大學). Mr. Lin has held the position as the manager at Yangjiang Textile Group# (陽江紡織集團) from 1996 to 2001 and as the department manager at Yangjiang City Gongjiao Asset Management Corporation# (陽江市工交資產經營公司). Mr. Lin joined Guangdong Hengjia as the general manager and since 2011 has been appointed as the director of Guangdong Hengjia.

Business Development Plans

The business development plan illustrated below is based on the information provided by the Target Group and has been reviewed and adopted by the Company as the Target Group's business development plan.

Zhuhai Hoston

Backed by its production lines and its own quality control center, Zhuhai Hoston has been positioning its products at the high-end market niche. Currently, approximately one-third of the PC steel bars consumed in the Guangdong province is supplied from other provinces. The management wishes to tap into such potential market and to extend business corporations with existing customers by continue its strategy on producing quality products.

To achieve the aforesaid target for continuous growth, the major challenge lying ahead is to increase sales volume by lowering the product price without compromising the products' quality. As such, the management plans to (i) add three production lines in 2014 to 2016 in total estimated amount of approximately RMB20 million to increase annual production capacity to 130,000 tonnes and realize economics of scale; (ii) remain close communication and good relationships with its suppliers to better manage the timing of purchasing raw materials; and (iii) implement technical improvement to the electrical efficiency of the production lines, which account for a significant production cost. Under the current planning and upon the success of carrying out the above strategies, the management aims to double the sales of its PC steel bars by the end of 2016.

Guangdong Hengjia

At present, Guangdong Hengjia mainly sells its construction products to customers located in the Yangjiang City. Its marketing research reveals that the annual growth rate ranges from 15% to 37% in the demands of various construction products over the past three years (i.e. 2009, 2010, and 2011) at the Yangjiang City and its surrounding areas, which covers the Maoming City, the Zhanjiang City, the Xinxing County, and the Enping City (the "**Surrounding Areas**"). Based on the above and the optimistic view of the regional macroeconomic situation, it is expected that the annual regional demand growth rate of 15% will persist in the coming years.

To cope with the growing demand, the management intends to (i) increase the production capacities by different products when they reach their limits in total estimated amount of approximately RMB27 million by 2015 (please refer to page 20 for details on the production target in 2016 for each product); (ii) develop a bulk supplying platform, which aims to bundle up the sales of the various products; (iii) improve the role of the marketing department by establishing information sharing channels with other market participants, such as design firms, tendering companies, and project management companies, to closer monitor the market movements; (iv) better utilize the tax discount policies on aerated concretes and construction waste recycling products to reasonably lower the selling price of products and improve their competitiveness; and (v) work toward expanding its products portfolio into the recommended green product catalog under the governmental benefit policies. The management is confident that the above strategies can gain Guangdong Hengjia a larger market share in the Yangjiang City and can expand its sales of PHC piles and aerated concretes into the Surrounding Areas. With reference to the business track record of Guangdong Hengjia and the above future development plans, the average annual sales growth rate from 2013 to 2016 is expected to be around 34%.

Regulatory requirements in relation to the business of the Target Group

Overview

The principal business of the Target Group is construction materials production, including PC steel bar, piles, concretes and bricks, all of which are subject to various regulations in the PRC. The regulations focus on various aspects including production, quality control, and environment protection. Below is a summary of some regulations which are important to the Target Group.

The Company's PRC legal adviser, namely Grandall Law Firm (Shenzhen)# (國浩律師(深圳)事務所), is of the view that, the Target Group is in compliance with applicable laws and regulations in all material aspects and has obtained all necessary permits, licences and approvals for its current business operations in all material aspects.

Production qualifications

The PRC Regulations on Administration of Production Licence for Industrial Products# (中華人民共和國工業產品生產許可證管理條例), together with relevant implementation rules, implement a system for the administration of production licences for important industrial products. Under the regulations, the Government formulated, and from time to time revised, the Catalogue of Products. Subject to Licensing for Industrial Production#(實行生產許可證制度管理的產品目錄) ("**Production Licence Catalogue**"), requiring a production licence be secured prior to manufacturing, selling or commercially utilising the products listed in the catalogue. The system of production license shall not be applicable to the industrial products, which (i) the quality can be effectively ensured through self-judgment of consumers, self-discipline of enterprises and market competition; and (ii) the safety of quality can be effectively ensured through the system of certification and authentication.

Before an enterprise is licensed to manufacture a product listed in the Production Licence Catalogue, it must submit an application to the relevant bureau of quality and technological supervision. After each bureau agrees to review the application, the provincial licence office or examination authority shall conduct an inspection on the enterprise, including an on-site examination of the enterprise and inspection of the product.

The application documents and results of the inspection are submitted to the national level licence office for review. If the conditions for granting the licence are satisfied, the General Administration of Quality Supervision, Inspection and Quarantine of the PRC will issue a production licence, which is normally valid for a period of five years. A renewal of this licence must be filed six months before the expiration date.

Once licensed, an enterprise must ensure that its product quality is stable and that it remains in compliance with all relevant standards. Any material change in the production conditions, means of inspection or technology or techniques employed in the production process (including an alteration of the production site or a major technical renovation on production lines) warrants an on-site examination and product inspection. According to the Production Licence Catalogue, the PC steel bar produced by Zhuhai Hoston belongs to one of the industrial products which required a licence, while the construction materials produced by the Guangdong Hengjia, including concrete pipe pile, tubular cement products, high-strength concrete products, autoclaved sand-lime brick, aerated concrete products and pervious concrete products etc., are excluded from the Production Licence Catalogue and do not apply to the production licencing system. The excluded construction materials produced by Guangdong Hengjia are not required to obtained production licences. Zhuhai Hoston has obtained the necessary production licences for the production of PC steel bar.

Environmental protection requirements

The regulations promulgated by the State Council on environmental protection of construction projects, together with the detail classification catalogue issued by the state environmental protection administration of PRC, implement an administrative system for environmental protection of construction projects based on classification according to the extent of the impact on the environment. According to that catalogue, an environmental impact report must be produced for construction projects.

According to relevant regulations and notice issued by the state environmental protection administration of PRC, environmental impact assessment reports in connection with construction projects must be examined and approved at various government levels. In respect of those projects listed in the relevant notice, the environmental impact assessment reports must be examined and approved by the Ministry of Environmental Protection.

Pursuant to the Law of the PRC on Environment Protection# (中華人民共和國環境保護法), the Law of the PRC on Environmental Impact Assessment# (中華人民共和國環境影響評價法), and the relevant regulations, with respect to construction projects, facilities for pollution prevention must be designed, constructed and put into operation at the same time as the project itself. Environmental impact reports must be produced and approved by competent environmental protection authorities before the construction projects commence, and environmental protection completion inspection must be applied for. Failure to obtain approval of environmental impact assessment may result in suspension of construction and fines of up to RMB200,000. Failure to apply for or pass environmental protection completion inspection may result in suspension of operation and fines of up to RMB100,000.

Pollution control

According to various PRC laws and regulations on the prevention and control of pollution, all legal persons, organisations and self-employed industrial and commercial households that directly or indirectly discharge pollutants into the environment ("**Pollutant Dischargers**") are required to apply for a pollutant discharge licence.

According to various regulations, measures and notices on the collection of pollutant discharge fees, Pollutant Dischargers must declare the type and amounts of pollutants discharged and provide relevant materials to the environment protection administration departments. All Pollutant Dischargers have to comply with provisions of the Law of the PRC on Environment Protection and relevant laws and regulations and make annual declarations and registrations of discharged pollutants to the relevant authorities. Pollutant Dischargers shall also pay discharge fees accordingly.

As informed by the Target Group, Zhuhai Hoston and Guangdong Hengjia have not been subject to any material regulatory proceedings for environmental protection irregularities.

Risk Factors

You should carefully consider all of the information in this circular, including the risks and uncertainties described below, before making voting decision(s) at the SGM. You should pay particular attention to the fact that the business of the Target Group is located exclusively in the PRC and is governed by a legal and regulatory environment that differs in certain respects from that which prevails in other countries. The business, financial condition or results of operations of the Enlarged Group could be materially and adversely affected by any of the risks described below.

Risk relating to the Acquisition

The Acquisition represents an investment in new business segment and may pose significant challenges to the Group's managerial, financial and operational resources.

Although it is proposed that the management team of the Target Group, namely Mr. Huang Tian and Mr. Lin Yepan who are experts in the construction materials industry, shall join the Company as Directors after the Acquisition, the Acquisition constitutes a new business investment in the construction materials industry, which the Group has not previously operated in. As the Group has no previous exposure to or experience in the new businesses, it is not in a position to assure the timing and amount of any return that may be generated from the new business, nor is it in a position to control the operational risks that could lead to a loss. The new business, coupled with the regulatory environment, may pose significant challenges to the Group's managerial, financial and operational resources.

Completion of the Acquisition is subject to the fulfillment or waiver (as the case may be) of the conditions precedent as set out in the Sale and Purchase Agreement and there is no assurance that all of the conditions precedent will be fulfilled or waived (as the case may be).

Completion of the Acquisition is conditional upon fulfillment (or waiver as the case maybe) of the conditions precedent, details of which are set out in the paragraph headed "Conditions precedent to the Sale and Purchase Agreement" of this letter. Certain conditions precedent involve decisions of third parties, and the fulfillment of which is not under the control of the parties to the Acquisition. Such conditions precedent include, among other things, obtaining all necessary consents, licenses and approvals required to be obtained on the part of the Vendor, obtaining approval from the Shareholders at the SGM, obtaining approval from the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. Since fulfillment of such conditions precedent is beyond the control of the parties involved in the Acquisition, there is no assurance that the Acquisition will be completed as intended.

There will be substantial dilution of the shareholding interests of the existing Shareholders in the Company immediately following the conversion of the Convertible Notes in full prior to its maturity.

Pursuant to the Sale and Purchase Agreement, the Convertible Notes, if converted in full, shall be converted into a total of 1,000,000,000 Conversion Shares. The Conversion Shares shall represent approximately 49.60% of the enlarged issued share capital of the Company after allotment and issue upon full conversion. Pursuant to the terms of the Convertible Notes, the Convertible Notes cannot be converted into Shares if such conversion causes (i) the holder(s)of the Convertible Notes to make a mandatory offer under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Notes; or (ii) the Shares held in public hands being less than the minimum public float required under the Listing Rules (i.e. 25% of the issued share capital of the Company). Further details are set out in the sub-section headed "Shareholding structure" in the "Letter from the Board" of this circular. Any improvement in the value of the Shares resulting from the Acquisition may not necessarily be reflected in their market price and may not offset the dilution effect to the existing Shareholders.

The Group will take up substantial level of indebtedness to finance the Acquisition and there may not be adequate cash flow to fund the operations or fulfill the financial obligations of the Group.

The respective payments of the cash consideration of HK$150 million and the Promissory Note in the principal amount of HK$100 million due in 2016, will require substantial cash outflow from the Group. The existing business plan for the Target Group, which involves expansion and upgrading of existing production lines, will also require certain level of capital expenditure. If the Company is not able to finance the aforesaid as they come due, the Company may have to conduct debt/equity fund raising activities in the future to maintain the operation of the Enlarged Group.

Acts of God, acts of war, epidemics, such as severe acute respiratory syndrome (SARS),H5N1 avian flu or H1N1 influenza, and other disasters may affect the business of the Target Group.

The business of the Target Group is subject to general and social conditions in the PRC. Natural disasters, epidemics, acts of God and other disasters that are beyond the control of the Target Group and may materially and adversely affect the economy, infrastructure and livelihood of the people of the PRC. Some cities in the PRC are under the threat of flood, earthquake, rainstorm, typhoon, sandstorm or drought. The business, financial condition and operating results of the Target Group may be materially and adversely affected if any of these natural disasters occurs in the areas in which it operate.

Epidemics threaten people's lives and may materially and adversely affect their livelihoods as well as living and consumption patterns. The occurrence of an epidemic is beyond the Company's control and there is no assurance that the outbreak of SARS, H5N1 avian flu or H1N1 influenza will not happen again. Any epidemic occurring in areas in which the Target Group operates, or even in areas in which the Target Group does not operate, may materially and adversely affect its business, financial condition and operating results.

Acts of war and terrorist attacks may cause damage or disruption to the Target Group, the occurrence of any of which may materially and adversely affect the business, revenue, cost of sales, financial condition and operating results of the Target Group.

Risks relating to the construction materials business

The business and financial performance of the Target Group is dependent on the performance of the construction materials market in the PRC, in particular the region in which Zhuhai Hoston and Guangdong Hengjia operate.

The business prospects of the Target Group depend on the performance of the construction industry in the PRC, in particular the region in which Zhuhai Hoston and Guangdong Hengjia operate (i.e. Guangdong). Any contraction of the construction market in the PRC generally or in Guangdong may materially and adversely affect the business, financial condition and operating results of the Target Group. The construction market in the PRC is affected by many factors, including but not limited to, general economic conditions and prospects, Government spending patterns in the construction industry, cyclical trends in the economy as a whole, and the availability of new projects in the private sector, all of which are beyond the control of the Group.

Any aforementioned factors may result in a decline in construction materials sales or prices nationally or regionally, which may have a material adverse effect on the business, financial condition and operating results of the Group. The Directors intend to focus on large-scale and long-term projects and secure construction materials supply contracts as early as practicable to minimize the negative effect from cyclical market fluctuations.

The performance of the Target Group depends on market conditions and trends in the PRC construction industry, and in the overall PRC economy, any or all of which may change adversely.

All of the Target Group's operations are currently located in the PRC and are therefore, in certain extent, dependent to the market conditions of the PRC construction industry. Government policies changes, for example, further measures to control the overheating economy, may have negative impact on the business environment for the construction industry. The profitability of the Target Group's projects are influenced by the mixture of a variety of factors, including China's general economic conditions and prospects, Government spending patterns in the construction industry, cyclical trends in the economy as a whole, and the availability of new projects in the private sector.

The PRC economy has experienced volatility in the past. There is no assurance that the PRC market will continue to grow in the future. In addition, a slowdown in the economies of other nations with which the PRC has important trade relationships may negatively affect economic growth in the PRC, and in turn the construction industry. Under these circumstances, the operations and profits of the Target Group could be materially and adversely affected.

The Target Group may be affected by the costs of raw materials.

The profitability of the Target Group is, to certain extent, dependent on the costs of raw materials such as steel and cement. In general, the Target Group may rise the unit prices of its products to pass certain raw materials costs to its customers. Nonetheless, the Target Group may be required to bear some of the increased costs when the prices of the raw materials exceed a certain threshold. If there is a material increase in the costs of raw materials and the Target Group cannot pass such increase to its customers, the business, financial condition and operating results of the Target Group may be materially and adversely affected.

The management at the Target Group plan to closer monitor the prices of raw materials and to purchase the raw materials in bulk amount when prices are reasonable. The management at the Target Group also intend to keep long-term business relationships with the suppliers of the Target Group to receive larger discount on raw materials purchases.

The business of the Target Group is dependent on the operating performance and financial condition of its major customers.

Historically, Zhuhai Hoston and Guangdong Hengjia have respectively derived approximately 59% and 23% of their overall turnover from sales of construction materials to their top five customers. However, there is no assurance that these customers will continue to purchase construction materials from Zhuhai Hoston or Guangdong Hengjia. If one or more major customers were to cease or reduce their building materials purchases from Zhuhai Hoston or Guangdong Hengjia as a result of economic conditions, their financial performance or otherwise, Zhuhai Hoston or Guangdong Hengjia may experience slowed growth or no growth at all, and their business, financial condition and results of operation would be adversely affected. In addition, in the event that any of their major customers experiences a deterioration in its operating performance and financial condition, they may require Zhuhai Hoston or Guangdong Hengjia to assume more credit risk in relation to their building materials purchases, which could result in Zhuhai Hoston or Guangdong Hengjia limiting or even discontinuing the business with such customer. If business dealings with major customers cease or their building materials purchases substantially decline and Zhuhai Hoston or Guangdong Hengjia are unable to secure new orders from other customers to replace such a loss or reduction, the business, financial condition, results of operations and prospects of Zhuhai Hoston or Guangdong Hengjia will be adversely affected.

Financial information of the Target Group

The audited financial information of each of (i) the Target Group; (ii) the Zhuhai Hoston Group; and (iii) Guangdong Hengjia for the three years ended 31 December 2010, 2011, and 2012 and the nine months ended 30 September 2013, prepared in accordance with Hong Kong Financial Reporting Standards, are set out in Appendix IIA to this circular.

As extracted from the management accounts, the table below set out financial information regarding the transaction amounts and balances between Zhuhai Hoston and Guangdong Hengjia for the years ended 31 December 2010, 2011, 2012 and the nine months ended 30 September 2013:

Sales from Zhuhai Hoston to Guangdong Hengjia

	For the year ended 31 December			**Nine months ended 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sales to Guangdong Hengjia	18,454	24,307	45,235	16,030
Amount due from/(to) Guangdong Hengjia	845	3,302	25,794	(1,020)

REASONS FOR THE ACQUISITION

The principal activity of the Group comprise the design, development, manufacture and sale of a wide range of (i) electronics and related components and parts (including principally quartz crystals, liquid crystal displays, printed circuit boards and watch movements); and (ii) consumer electronic products (including principally electronic calculators, telecommunication phones, electronic watches and clocks and digital products). The Group is also engaged in the trading of integrated circuits and computer components and accessories.

As indicated in the annual report of the Company for the year ended 30 September 2013 and the annual report of the Company for the year ended 30 September 2012, the Company suffered gross loss from its existing business for an extended period of time. With the global economic conditions remaining unstable, the Board expected the negative impacts to continue in place on the electronics manufacturing industries and had been planning a group restructuring to better allocate the Group's existing resources, including but not limited to the disposal of the Group's existing assets and the introduction of prospective business to the Group. At present, the Company intends to scale down certain loss-making electronics manufacturing businesses. However, as at the Latest Practicable Date, there is no concrete plan as to how and when the scaling down of the electronics manufacturing businesses will be carried out. Should there be any significant development in this regard, the Company will make announcements in accordance with the Listing Rules as and when appropriate.

As part of the Group's restructuring plan, the Directors have been studying the potential of shifting its resources to another profitable industry and are confident that the construction materials manufacturing business in the PRC, which is fueled by the growth of the property market in the Guangdong province, has a promising prospect. According to the statistics released by the Guangdong Statistics Bureau, the real estate developers reaped a total of RMB894.11 billion from property sales in 2013, representing 39.5% more than that in 2012, after seeing an 59.8% surge in the first six months. The province's investment in property development grew by 21.5% year on year to RMB651.95 billion in 2013. The figure accounted for investment in the development of residential properties, amounting to RMB454.10 billion and representing a growth of 22.6% year on year. Industry wise, the information from China Concrete & Cement Products Association# (中國混凝土與水泥製品協會) shows that there were only 20 manufacturers of PHC piles in the PRC in 1993. By the end of September 2012, it was roughly estimated that the number of enterprises engaged in the production of PHC piles has substantially increased to approximately 500. The size of production of the industry has increased from 200,000 to 300,000 meters in 1980s to 800,000 to 1,500,000 meters in late 1990s. The annual production volume has risen from 3 million meters in 1993 to 350 million meters in 2011.

The Target Group is a major construction materials manufacturer in the Guangdong province. Having considered (i) the increasing property market investment in Guangdong; (ii) the general growing trend of the construction material industry; and (iii) the discount of the consideration to the business valuation, which has taken in account of historical financial performance and its customers' relationships of the Target Group, the Directors are of the opinion that the Target Group has a promising prospect. The Acquisition provides an opportunity for the Group to turnaround its unfavorable financial performance and to generate diversified income and additional cash flow for its continuous development.

As the Acquisition will involve a diversification into a new business, the Company proposes to retain the current management team of the Target Group for their future management and the Vendor shall nominate two directors, tentatively Mr. Huang Tian and Mr. Lin Yepan, to join the Board pursuant to the Sale and Purchase Agreement. Details of Mr. Huang Tian and Mr. Lin Yepan have been disclosed in the "Management team" subsection of this circular.

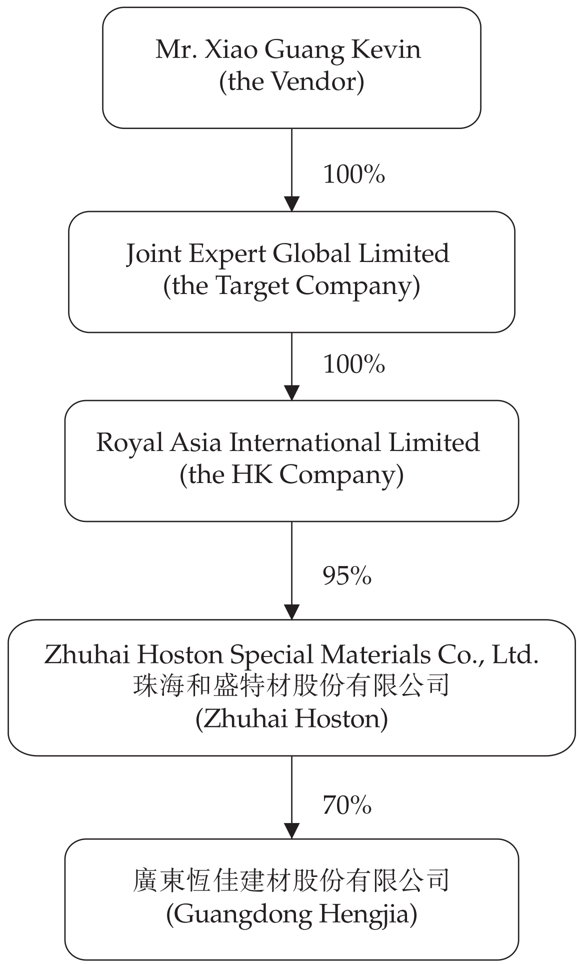
The said appointment of Directors is subject to the Completion of the Acquisition, which may or may not materialize, and the final choice of candidates by the Vendor. The Company shall make relevant announcement in this regard as and when appropriate. The existing Directors, in particular Ms. Wong King Ching, Helen, the chairman of the Company and the executive Director, who has extensive experience in corporate management and knowledge in the manufacturing industry, and Ms. Wong King Man, the deputy chairman and the executive Director, who is experienced in procurement policies and material management, will be responsible for the supervision of the Target Group's business operation with the assistance of the current management team of the Target Group. To further strengthen the management team, the Company will also consider to identify suitable professionals in the relevant industry to join the Board after the Completion. However, as at the Latest Practicable Date, no candidate has been identified yet. If there is any change in the composition of the Board, the Company will make announcement in accordance with the Listing Rules as and when appropriate.

In view of all the foregoing, the Directors are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole.

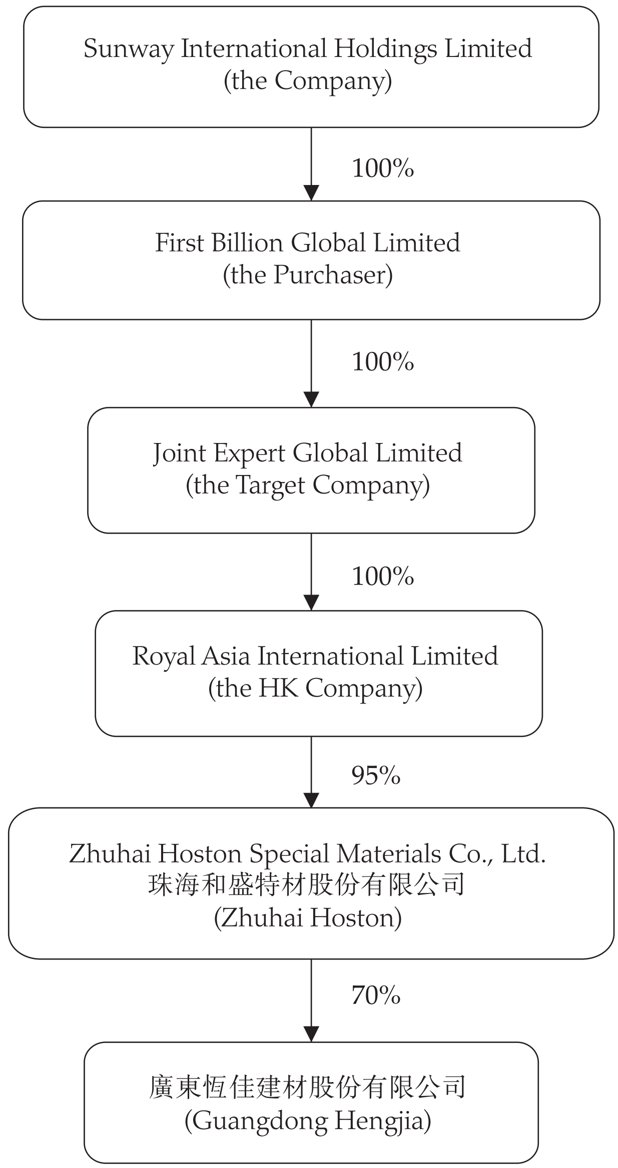
SHAREHOLDING STRUCTURE OF THE TARGET GROUP

The following charts show the shareholding structure of Target Group (a) as at the Latest Practicable Date; and (b) immediately after Completion:

(a) As at the Latest Practicable Date:



(b) Immediately after completion of the Acquisition



CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set below is a summary of the shareholdings in the Company (i) as at the Latest Practicable Date; (ii) after allotment of the maximum number of Conversion shares upon full conversion of the Convertible Notes; and (iii) after allotment of the maximum number of Conversion Shares upon full conversion of the Convertible Notes subject to the Conversion Restrictions.

Shareholders	**As at the Latest Practicable Date**		**After issue and allotment of the Conversion Shares upon full conversion of the Convertible Notes** *(Note 3)*		**After issue and allotment of the Conversion Shares upon full conversion of the Convertible Notes subject to the Conversion Restrictions**	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Wong King Ching, Helen *(Note 1)*	200,000	0.02	200,000	0.01	200,000	0.01
Wong King Man and Wong Chun Ying *(Note 1 & 2)*	49,648,000	4.89	49,648,000	2.46	49,648,000	3.43
Farnell Profits Limited *(Note 1)*	280,000,000	27.56	280,000,000	13.89	280,000,000	19.32
Subtotal	*329,848,000*	*32.47*	*329,848,000*	*16.36*	*329,848,000*	*22.76*
Convertible Notes Holder(s)	–	–	1,000,000,000	49.60	433,333,333	29.90
Public Shareholders	686,153,301	67.53	686,153,301	34.04	686,153,301	47.34
Total	**1,016,001,301**	**100**	**2,016,001,301**	**100**	**1,449,334,634**	**100**

Notes:

1. These shares are beneficially owned by Farnell Profits Limited, the entire issued share capital of which was previously held by the late Mr. Wong Choi Fung ("Mr. Wong") and currently forms part of the estate of the late Mr. Wong. Ms. Wong King Ching, Helen and Ms. Wong King Man, Directors of the Company, are beneficiaries of the said estate, whose interest in the shares of Farnell Profits Limited is not yet ascertained until completion of the administration of estate of the late Mr. Wong.

2. These shares are jointly held by Ms. Wong King Man and Ms. Wong Chun Ying.

3. Such scenario is for illustrative purpose only and will never occur. The conversion of the Convertible Notes is subject to the conversion restrictions of the Convertible Notes.

As at the Latest Practicable Date, the Company had no outstanding convertible securities or options which are convertible or exchangeable into Shares. The Acquisition and the issue of the Convertible Notes will not result in a change in control of the Company.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE ENLARGED GROUP

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, and the financial results of the Target Group will be consolidated into the Group's accounts.

Effect on assets and liabilities

The unaudited consolidated total assets of the Group were approximately HK$1,219,827,000 while the total liabilities of the Group were approximately HK$763,354,000 as at 30 September 2013. Based on the unaudited pro forma financial information of the Enlarged Group as contained in Appendix III to this circular, the Enlarged Group's total assets and total liabilities would be increased to approximately HK$1,981,503,000 and approximately HK$1,298,829,000 respectively assuming Completion has taken place on 30 September 2013.

Effect on earnings

The Group recorded loss for the year of approximately HK$213,323,000 for the year ended 30 September 2013. Based on the unaudited pro forma financial information of the Enlarged Group as contained in Appendix III to this circular, the Enlarged Group would have recorded loss for the year of approximately HK$118,614,000 for the year ended 30 September 2013 assuming Completion has taken place on 30 September 2013.

Effect on gearing ratio

The gearing ratio of the Group, which was computed by dividing the total liabilities by total equity, was 1.67 times as at 30 September 2013. Based on the unaudited pro forma financial information of the Enlarged Group as contained in Appendix III, assuming the Completion has taken place on 30 September 2013, the gearing ratio of the Group would have been 1.90 times.

It should be noted that the aforementioned estimations are for illustrative purpose only and do not purport to represent how the financial position of the Enlarged Group will be upon Completion.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the Listing Rules) of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no Shareholder has any material interest in the Acquisition and therefore no Shareholder is required to abstain from voting on the resolution in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the SGM.

The SGM will be held for the Shareholders to consider and, if thought fit, approve the ordinary resolutions in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

SGM

A notice convening the SGM to be held at Room 1708–1710, Nan Fung Centre, 264–298 Castle Peak Road, Tsuen Wan, Hong Kong on Tuesday, 22 April 2014 at 10:30 a.m. is set out on pages SGM-1 to SGM-2 of this circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's branch share registrar in Hong Kong, Tricor Tengis Ltd., 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting of the Company. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjournment thereof (as the case may be) should you so wish.

RECOMMENDATION

The Directors consider the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution approving the Sale and Purchase Agreement to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
Sunway International Holdings Limited
Wong King Ching, Helen
Chairman

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the year ended 30 September 2013 has been disclosed on pages 20 to 79 of the annual report of the Company for the year ended 30 September 2013; (iii) for the year ended 30 September 2012 has been disclosed on pages 20 to 83 of the annual report of the Company for the year ended 30 September 2012; and (iv) for the year ended 30 September 2011 has been disclosed on pages 20 to 96 of the annual report of the Company for the year ended 30 September 2011. All the above reports of the Company have been published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.irasia.com/listco/hk/sunway/index.htm/).

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

Set out below are the management discussion and analysis of the Company mainly extracted from the respective annual report for each of the three years ended 30 September 2011, 2012 and 2013. Terms used in this section below shall have the same meanings as those defined in the aforesaid reports.

For the year ended 30 September 2011

Review of results and operation

Turnover of the Group for the year ended 30 September 2011 increased by HK$39,553,000 or 4.0% to HK$1,021,413,000, compared to HK$981,860,000, reported last year. Gross profit for the year was HK$26,409,000, compared to HK$70,340,000 last year. Given the recovering global economy and continuing growth in the PRC's economy, turnover of the Group was slightly improved. Simultaneously, the growth in the PRC led to increase the average national income and general price of commodities which burden the costs of production in the PRC. As a result, gross profit was dropped by HK$43,931,000 or 62.5%.

Net loss of the Group was also deteriorated by HK$51,521,000 or 140.3% to HK$88,245,000 for the year ended 30 September 2011 compared to HK$36,724,000 last year. Facing the pressure from inflation in the PRC, we had strictly imposed cost control policy to minimize our other operating costs.

Consumer electronic products

Turnover of electronic calculators was HK$453,069,000 representing a slight decrease of HK$1,901,000 or 0.4% compared to HK$454,970,000 last year. Sales of electronic calculators contributed 44.4% of the Group's turnover for the year. It remained the largest business segment of the Group and was fairly consistent with last year. The business of high-end calculators delivers a minimal growth whereas low-end calculators business is deteriorated, showing a shift in consumers' preference. Thus, we will continue to modify the existing products and launch new models of calculators to maintain our market shares.

Sales of digital products represented 17.0% of the Group's turnover for the year, generated revenue amounted to HK$173,534,000, which increased by HK$17,960,000 or 11.5% as compared to HK$155,574,000 last year. The success in launching the new product, e-books, contributed to the significant growth in sales of this segment.

Sales of electronic watches and clocks decreased by HK$14,483,000, or 9.6% to HK$136,730,000 from HK$151,213,000 last year. It accounted for 13.4% of the Group's total turnover for the year.

Telephone products represented 4.0% of the Group's turnover for the year which recorded a turnover of HK$40,938,000, representing an increment of HK$9,799,000 or 31.5% compared to HK$31,139,000 last year. Sales of telephone products were boosted by attractive new designs of household telephones.

Taking into account of the substantial operating loss of this business segment, we will closely monitor its operating results and adopt an appropriate strategy in a timely manner.

Electronic components and parts

Revenue from LCD represented 15.8% of the Group's turnover for the year which was HK$160,951,000, representing a significant growth of HK$81,807,000 or 103.4% compared to HK$79,144,000 last year. Constant and continuously increasing orders from customer drove the growth in this segment.

American countries and PRC markets remain the Group's major markets which dominated 39.8% and 22.6% of the Group's turnover, respectively.

Selling and distribution expenses mainly consisted of transportation expenses, which dropped slightly by HK$754,000 or 4.2% from HK$17,914,000 last year to HK$17,160,000 this year. Administrative expenses rose by HK$18,109,000 or 24.6% from HK$73,778,000 last year to HK$91,887,000 this year. It was mainly contributed by continuing increment in staff costs and its related expenses in the PRC.

Finance costs were HK$13,393,000, compared to HK$6,527,000 last year. Increase of finance costs by HK$6,866,000 or 105.2% was due to bank borrowings obtained to finance the operations in the PRC during the year.

Liquidity and financial resources

The Group normally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in both Hong Kong and the PRC. As at 30 September 2011, the total shareholders' equity of the Group was approximately HK$784,876,000, representing a decrease of 3.1% over last year. The Group maintained a high level of cash and cash equivalents at the yearend which were sourced externally from banks. As at 30 September 2011, the Group's cash and bank balances and time deposits stood at HK$309,233,000 whereas bank loans were HK$369,036,000 and trust receipt loans were HK$5,975,000. The gearing ratio, which was computed by dividing the current liabilities and long term liabilities by shareholders' equity, was 77.2% this year. The Group is dedicated to maintaining a sound financial position and improving the equity return to its shareholders.

Significant investments and acquisition

During the year, the Group incurred HK$34,941,000 on additions to construction in progress, plant and equipment to upgrade its manufacturing capabilities.

Capital structure

No repurchases of shares were made during the year. On 2 November 2009, the Company granted options to certain directors and employees of the Group to subscribe for a total of 90,600,000 ordinary shares of HK$0.1 per share each on or before 1 November 2019 of which 500,000 share options have been lapsed. At 30 September 2011, the number of shares in respect of which options had been granted and exercisable was 36,040,000. No share options were exercised or cancelled during the year.

Pledge of assets

The Group's certain leasehold land and buildings of HK$97,999,000, prepaid land lease payments of HK$11,260,000, investment property of HK$56,712,000 and time deposits of HK$85,626,000 are used to secure banking facilities for the Group.

For the year ended 30 September 2012

Review of results and operation

Turnover of the Group for the year ended 30 September 2012 decreased by HK$227,080,000 or 22.2% to HK$794,333,000, compared to HK$1,021,413,000, reported last year. Sales orders from American customers dropped significantly given its unfavorable market conditions. The Group recorded gross loss of HK$60,370,000 for the year, compared to gross profit HK$26,409,000 last year. It was mainly attributable to decrease in sales, however, the overall manufacturing fixed costs remained fairly constant compare with last year and also the provision for inventories made. As a result, gross profit was further dropped by HK$86,779,000 or 3.29 times.

Net loss of the Group was also deteriorated by HK$122,703,000 or 1.39 times to HK$210,948,000 for the year ended 30 September 2012 compared to HK$88,245,000 last year.

Consumer electronic products

Consumer electronic products mainly include calculators, watches and clocks and other digital products which represented 78.9% of the Group's revenue. Affected by the global economy, overall revenue from sales of consumer electronic products substantially decreased by HK$177,610,000 or 22.1% from HK$804,271,000 last year to HK$626,661,000 this year.

Turnover of electronic calculators was HK$390,979,000 representing a decrease of HK$62,090,000 or 13.7% compared to HK$453,069,000 last year. Sales of electronic calculators contributed 49.2% of the Group's turnover for the year. It remained the largest business segment of the Group.

Sales of electronic watches and clocks slight increased by HK$3,812,000, or 2.8% to HK$140,542,000 from HK$136,730,000 last year. It accounted for 17.7% of the Group's total turnover for the year.

Sales of digital products represented 8.4% of the Group's turnover for the year, generated revenue amounted to HK$66,390,000, which decreased by HK$107,144,000 or 61.7% as compared to HK$173,534,000 last year. The significant drop this segment was due to the once-off orders of e-books last year.

Electronic components and parts

Electronic components and parts mainly comprised of LCD, COG and Quartz and their respective revenue for the year were HK$92,393,000, HK$47,424,000 and HK$30,398,000. Aggregated revenue f o r the year decreased by HK$50,459,000 or 23.3% from HK$216,677,000 last year to HK$166,218,000. This segment has accounted for 20.9% of the Group's revenue.

As a result of the significant decrease in sales in American markets, the PRC became the largest market for the year which contributed 30.3% of the Group's turnover.

Selling and distribution expenses mainly consisted of transportation expenses, which dropped in line with the decrease in sales, by HK$3,441,000 or 20.1% from HK$17,160,000 last year to HK$13,719,000 this year.

General and administrative expenses rose by HK$10,802,000 or 11.8% from HK$91,887,000 last year to HK$102,689,000 this year. It was mainly contributed by continuing increment in staff costs and its related expenses in the PRC.

Finance costs were HK$29,844,000, compared to HK$13,393,000 last year. Increase of finance costs by HK$16,451,000 or 1.23 times was due to bank borrowings obtained to finance the operations in the PRC during the year.

Liquidity and financial resources

The Group normally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in both Hong Kong and the PRC. As at 30 September 2012, the total shareholders' equity of the Group was approximately HK$603,630,000, representing a decrease of 23.1% over last year. The Group maintained a high level of cash and cash equivalents at the year-end which were sourced externally from banks. As at 30 September 2012, the Group's cash and bank balances and time deposits stood at HK$286,927,000 whereas bank loans were HK$644,086,000 and trust receipt loans were HK$6,078,000. During the year, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and long term liabilities by shareholders' equity, was 151.3% this year. The Group is dedicated to maintaining a sound financial position and improving the equity return to its shareholders.

Significant investments and acquisition

During the year, the Group incurred HK$61,321,000 on additions to construction in progress, plant and equipment to upgrade its manufacturing capabilities.

Capital structure

No repurchases of shares were made during the year. On 2 November 2009, the Company granted options to certain directors and employees of the Group to subscribe for a total of 90,600,000 ordinary shares of HK$0.1 per share each on or before 1 November 2019 of which 1,500,000 share options have been lapsed during the year. At 30 September 2012, the number of shares in respect of which options had been granted and exercisable was 53,160,000. No share options were exercised during the year.

Pledge of assets

The Group's certain leasehold land and buildings of HK$107,480,000, certain prepaid lease payments of HK$14,334,000, investment property of HK$63,770,000, and time deposits of HK$16,354,000 are used to secure banking facilities for the Group.

Applications of proceeds of share offer

The remaining balance of approximately HK$65.4 million of the net proceeds raised from the share offer in 1999 has been allocated to the investment in the joint venture, Taiwan Communication (Fujian) Company Ltd. As progress of the projects as implemented by Taiwan Communication (Fujian) Company Limited proceeded at a slower pace than anticipated, the Directors are considering allocating part of such proceeds to other investment opportunities. If any specific targets are identified, the Directors will make announcement in accordance with the applicable rules.

Employees and remuneration policies

As at 30 September 2012, the Group has approximately 6,000 full time management, administrative, technical and production staff in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted or to be granted under the share option scheme.

Foreign exchange and currency risks

The Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that HKD is pegged against USD, the Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB as the Group's assets are principally located in the PRC. The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner.

Contingent liabilities

As at 30 September 2012, the Company had contingent liabilities in relation to corporate guarantees executed by the Company in favour of banks for general banking facilities granted to subsidiaries of the Company amounting to HK$45,000,000 and such facilities were utilized to the extent of approximately HK$14,626,000.

Purchase, sale or redemption of the company's listed securities

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

Prospects

Facing the unfavorable American market conditions and the uncertainties from the European market, we expected the business environment would continue to be difficult and complicated. In the coming year, the Group will adopt prudent business strategies for the existing sectors.

We will continue to modify, including adding new functions and improvement of design, of the existing model of calculators, watches and clocks in order maintain the steady growth of these segments. There are several new digital products under development such as digital toys, digital camera and speaker, etc.

To cope with these challenges, our Group remained focus to carry out various initiatives to control operating costs and streamline the existing operation so as to enhance operation efficiency. The Group also continued to carry out effective marketing initiatives to maintain its market position so as to sustain our Group's profitability.

Well-aware of the challenges ahead and well-prepared to strive for excellence with dedication, the Group will maintain its prudent business development and lay a solid foundation for achieving its mid to long-term goals.

For the year ended 30 September 2013

Review of results and operation

Turnover of the Group for the year ended 30 September 2013 decreased slightly by HK$5,986,000 or 0.8% to HK$788,347,000, compared to HK$794,333,000, reported last year. The Group recorded gross loss of HK$75,838,000 for the year, compared to HK$60,370,000 last year. The gross loss was mainly attributable to depreciation for plant and machinery of HK$88,335,000 for the year. It was increased by HK$15,468,000 or 25.6%.

Net loss of the Group was also increased by HK$2,375,000 or 1.1% to HK$213,323,000 for the year ended 30 September 2013 compared to HK$210,948,000 last year.

Consumer electronic products

Consumer electronic products mainly include calculators, watches and clocks and other digital products which represented 73.1% of the Group's revenue. Revenue from sales of consumer electronic products decreased by HK$50,313,000 or 8.0% from HK$626,661,000 last year to HK$576,348,000 this year.

Turnover of electronic calculators was HK$361,339,000 representing a decrease of HK$29,640,000 or 7.6% compared to HK$390,979,000 last year. Sales of electronic calculators contributed 45.8% of the Group's turnover for the year. It remained the largest business segment of the Group.

Sales of electronic watches and clocks significantly decreased by HK$67,999,000, or 48.4% to HK$72,543,000 from HK$140,542,000 last year. It accounted for 9.2% of the Group's total turnover for the year.

Sales of digital products represented 16.3% of the Group's turnover for the year, generated revenue amounted to HK$128,742,000, which increased by HK$62,352,000 or 93.9% as compared to HK$66,390,000 last year. The significant increase in this segment was arising from the sales of tablets.

Electronic components and parts

Electronic components and parts mainly comprised of LCD, COG and Quartz and their respective revenue for the year were HK$88,698,000, HK$94,783,000 and

HK$22,705,000. Aggregated revenue for the year increased by HK$45,781,000 or 27.5% from HK$166,218,000 last year to HK$211,999,000. This segment has accounted for 26.9% of the Group's revenue.

Revenue from other Asian countries, mainly attributable from Taiwan and Japan, was the largest geographical segment this year which contributed 28.7% of the Group's turnover.

Selling and distribution expenses mainly consisted of transportation expenses, and dropped by HK$970,000 or 7.1% from HK$13,719,000 last year to HK$12,749,000 this year.

Administrative expenses slightly dropped by HK$7,671,000 or 7.5% from HK$102,689,000 last year to HK$95,018,000 this year. These were mainly staff related expenses including salaries, pension scheme contributions and staff welfare expenses and represented 66% of the general and administrative expenses this year.

Finance costs were HK$40,372,000, compared to HK$29,844,000 last year. Increase of finance costs by HK$10,528,000 or 35.3% was due to bank borrowings obtained to finance the operations in the PRC during the year.

Liquidity and financial resources

The Group normally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in both Hong Kong and the PRC. As at 30 September 2013, the total shareholders' equity of the Group was HK$456,473,000, representing a decrease of 24.4% over last year. As at 30 September 2013, the Group's cash and bank balances and time deposits stood at HK$148,055,000 whereas bank and other borrowings were HK$479,912,000. During the year, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and long term liabilities by shareholders' equity, was 1.67 times this year. The Group is dedicated to maintaining a sound financial position and improving the equity return to its shareholders.

Significant investments and acquisition

During the year, the Group incurred HK$14,981,000 on additions to construction in progress, plant and equipment to upgrade its manufacturing capabilities.

Capital structure

No repurchases of shares were made during the year. On 2 November 2009, the Company granted options to certain directors and employees of the Group to subscribe for a total of 90,600,000 ordinary shares of HK$0.1 per share each on or before 1 November 2019 of which 12,300,000 share options have been lapsed during the year. At 30 September 2013, the number of shares in respect of which options had been granted and exercisable was 61,840,000. No share options were exercised or cancelled during the year.

Pledge of assets

The Group's certain leasehold land and buildings of HK$110,653,000, prepaid lease payments of HK$14,217,000 and investment property of HK$21,510,000 are used to secure banking facilities for the Group.

Applications of proceeds of share offer

The remaining balance of HK$65,400,000 of the net proceeds raised from the share offer in 1999 has been allocated to the investment in the joint venture, Taiwan Communication (Fujian) Company Limited. As progress of the projects as implemented by Taiwan Communication (Fujian) Company Limited proceeded at a slower pace than anticipated, the Directors are considering allocating part of such proceeds to other investment opportunities. If any specific targets are identified, the Directors will make announcement in accordance with the applicable rules.

Employees and remuneration policies

As at 30 September 2013, the Group has approximately 4,400 full time management, administrative, technical and production staff in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted or to be granted under the share option scheme.

Foreign exchange and currency risks

The Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that HKD is pegged against USD, the Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB as the Group's assets are principally located in the PRC.

The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group will study the feasibility of entering into additional foreign currency forward contracts to mitigate the risk.

Commitment

As at 30 September 2013, the Group has contracted commitments of HK$1,897,000 (2012: HK$9,805,000).

Contingent liabilities

As at 30 September 2013, the Company had contingent liabilities in relation to corporate guarantees executed by the Company in favour of banks for general banking facilities granted to subsidiaries of the Company amounting to HK$28,000,000 and none of the facilities were utilized.

Purchase, sale or redemption of the company's listed securities

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

Prospects

Looking forward, the global economy continues to face uncertainties. The US economy will continue its slow recovery, while euro sovereign debt crisis remains the biggest risk to world economy. Given these economic factors, it will be difficult to remain optimistic in the export electronic business. Also, the PRC government announced various policies to stabilise growth and imply the PRC's economic growth will be slow-down. We expect the business volume will continue to wither in the future.

The unstable labour supply in the PRC and appreciation of RMB will continue to drive up the production costs. Raising production costs will remain the major challenges to our performance. We will continue to review the production costs and tightly monitored at each production process. Also, we will streamline operations and optimize efficiency by sub-contracting some of the manufacturing processes.

Our strategic aim remains to achieving a long-term sustainable growth by strengthening its existing business and seeking investment opportunities to expand in other business sectors.

On 3 October 2013, the Group as the purchaser entered into a sale and purchase agreement with Mr. Xiao Guang Kevin as the vendor and Mr. Wang Zhining as the guarantor of the Vendor, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of Joint Expert Global Limited and the shareholder's loan at a consideration of HK$550 million. The Target Company and its subsidiaries are building and construction materials manufacturers in the PRC specialized in production of high quality pre-stressed steel bars, pre-stressed high-strength concrete piles, ready-mixed concrete and various types of bricks, etc. As at 30 December 2013, certain conditions precedent to the completion of the proposed Acquisition have yet to be fulfilled. We have been studying the potential of shifting its resources to another profitable industry and are confident that the construction materials manufacturing business in the PRC, which is fueled by the growth of the property market in the PRC has a promising prospect. We hope the proposed Acquisition, if completed, will provide an opportunity for the Group to turnaround its unfavorable financial performance and to generate diversified income and additional cash flow for its continuous development.

3. INDEBTEDNESS STATEMENT

As at the close of business on 31 January 2014, being the latest practicable date for the purpose of this indebtedness statement, the Group and the Target Group had the following indebtedness:

	The Group			Target Group	Total
	Secured		Unsecured	Secured	
	Guaranteed	Non-Guaranteed	Guaranteed	Guaranteed	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	262,904	87,768	115,316	132,387	598,375

The Group's bank borrowings of approximately HK$350,672,000 were secured by certain land use rights, leasehold land and buildings and investment property of the Group amounted to approximately HK$209,789,000. Out of the total secured borrowings, bank borrowings of approximately HK$23,704,000 were secured by the personal property of the director of the Group. The Group's bank borrowings of HK$378,220,000 were guaranteed by directors of the Company and subsidiaries of the Company.

Leasehold land and building and investment property totalling approximately HK$29,379,000 were pledged to a bank for the Group's banking facility, which has not been utilised by the Group as at 31 January 2014.

The Target Group's bank borrowings of approximately HK$132,387,000 were secured by certain payments for leasehold land held for own use under operating leases, buildings, plant and machinery, pledged bank deposits, inventories, trade receivables and other receivables amounted to approximately HK$111,972,000. Amongst the total secured borrowings, bank borrowings of HK$19,219,000 were secured by property of an entity which the directors of the Target Group's subsidiaries had significant influences on.

The Target Group's bank borrowings of approximately HK$132,387,000 were guaranteed by directors of The Target Group's subsidiaries, non-controlling shareholders of the Target Group, a subsidiary of the Target Group, an independent supplier of the Target Group, an independent financial guarantee company and an entity which directors of Target Group's subsidiaries had significant influences on.

For the purpose of the above statement of indebtedness, foreign currency denominated amounts has been translated into Hong Kong dollar at the rates of exchange prevailing at the close of business on 31 January 2014.

General

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have: (a) any other debt securities issued and outstanding, and authorised or otherwise created but unissued; (b) any other term loans (whether guaranteed, unguaranteed, secured or unsecured); (c) any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments; (d) any other mortgages or charges; or (e) any other material guarantees or contingent liabilities at the close of business on 31 January 2014.

As at the Latest Practicable Date, the directors of the Company confirms that, there has been no material change in the indebtedness position of the Enlarged Group, except for those mentioned above and any contingent liabilities or any guarantees of the Enlarged Group.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 September 2013, the date on which the latest published audited consolidated financial statements of the Company were made up.

5. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the Enlarged Group's internal resources, cash flow from the operations, the banking and other credit facilities currently available to the Enlarged Group, in which banking facilities amounting to approximately HK$177,535,000 (the "**Banking Facilities**") are expected to be renewed upon expiry, the Enlarged Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular in the absence of unforeseeable circumstances. The Banking Facilities will expire on or before 10 December 2014. The Enlarged Group has maintained its good business relationship with these financial institutions. Further, apart from pledge of assets owned by the Enlarged Group, part of the Banking Facilities amounting to approximately HK$126,284,000 are also secured by guarantee and properties provided by certain parties. Pursuant to irrevocable undertakings, these parties will provide such guarantee and properties continuously to the Enlarged Group for the renewal of the relevant banking facilities. As a result, the Directors consider that the Banking Facilities will be renewed by the respective financial institutions upon expiry.

6. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

Upon Completion of the Acquisition, the Enlarged Group will have a more broadened source of income generated by the production of building and construction materials business of the Target Group as compared to the existing Group, which mainly engages in the electronics manufacturing businesses. The Enlarged Group is expected to have a higher gearing ratio and liabilities level than the existing Group which is arisen from the settlement of the Consideration.

Having considered (i) the continuous uncertainties in the global economy which hindered exports; (ii) the various policies announced by the PRC government to stabilise overheated economy which impeded domestic sales growth; and (iii) the unstable labour supply in the PRC and appreciation of RMB which drove up production costs, it is expected that the results from the electronics manufacturing industries will receive negative impact for the coming years. The Enlarged Group will continue to review and tightly monitor the production costs at each production process as well as to streamline operations and optimize efficiency by sub-contracting some of the manufacturing processes. The Board also intends to scale down certain loss-making electronics manufacturing businesses should it decide the above cost controlling mechanisms unable to turnaround its business. However, as at the Latest Practicable Date, there is no concrete plan as to how and when the scaling down of the electronics manufacturing businesses will be carried out. Should there be any significant development in this regard, the Company will make announcements in accordance with the Listing Rules as and when appropriate.

While some of the above economic factors may also affect the production of building and construction materials business, the prospect of the Target Group, which operates in a profitable industry fueled by the property market growth in the Guangdong province, is remained positive in the opinion of the Board and will provide an opportunity for the Group to turnaround its unfavorable financial performance and to generate diversified income and additional cash flow for its continuous development.

(i) ACCOUNTANT'S REPORT OF THE TARGET COMPANY

The following is the text of a report on the Target Company received from the Company's reporting accountant, BDO Limited, for the purpose of incorporation in this circular.

BDO

Tel: +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

香港干諾道中111號
永安中心25樓

31 March 2014

The Board of Directors
Sunway International Holdings Limited
Room 1708–1710 Nan Fung Centre
264–298 Castle Peak Road
Tsuen Wan
Hong Kong

Dear Sirs,

We set out below our report on the financial information regarding Joint Expert Global Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprises the statements of financial position of the Company as at 31 December 2010, 2011, 2012 and 30 September 2013, and the consolidated statements of financial position of the Group as at 31 December 2010, 2011, 2012 and 30 September 2013, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows of the Company for each of years ended 31 December 2010 and 2011, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for year ended 31 December 2012 and the nine months ended 30 September 2013 and a summary of significant accounting policies and other explanatory notes (the "Financial Information"), prepared on the basis set out in note 2 of Section B below, for inclusion in the circular of Sunway International Holdings Limited ("Sunway") dated 31 March 2014 (the "Circular") in connection with the proposed acquisition of the Group by Sunway (the "Acquisition").

The Company was established as a limited company in the British Virgin Islands on 28 May 2013. The principal activity of the Company is investment holding. Pursuant to a group reorganisation (the "Reorganisation") as set out in note 4(a) of Section B below, which was completed on 21 August 2013, the Company became the holding company of the subsidiaries now comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company had direct and indirect interests in the subsidiaries as set out in note 1 of Section B below. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. The principal activities of the subsidiaries of the Company and details of their statutory auditors during each of the years ended 31 December 2010, 2011 and 2012 and nine months ended 30 September 2013 (the "Relevant Periods") are set out in note 1 of Section B below.

For the purpose of this report, the director of the Company has prepared the financial statements of the Company for each of the years ended 31 December 2010 and 2011 and the consolidated financial statements of the Group for the year ended 31 December 2012 and the nine months ended 30 September 2013 (the "Underlying Financial Statements"), in accordance with the basis of preparation set out in note 2 of Section B below and accounting policies set out in note 4 of Section B below which conform with Hong Kong Financial Reporting Standards ("HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the director of the Company based on the Underlying Financial Statements with no adjustment made thereon.

The director of the Company is responsible for the contents of the Circular including the preparation and true and fair view presentation of the Financial Information in accordance with the basis of preparation set out in note 2 of Section B below and the accounting policies set out in note 4 of Section B below, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and for such internal control as the director of the Company determines is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures and to report our opinion to you.

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

This report is made solely to you, as a body, in accordance with our agreed terms of 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.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis set out in note 2 of Section B below and the accounting policies set out in note 4 of Section B below, gives a true and fair view of the state of affairs of the Company as at 31 December 2010, 2011, 2012 and 30 September 2013 and of the consolidated state of affairs of the Group as at 31 December 2010, 2011, 2012 and 30 September 2013, of the results and cash flows of the Company for each of the years ended 31 December 2010 and 2011, and of the consolidated results and cash flows of the Group for the year ended 31 December 2012 and for the nine months ended 30 September 2013.

A. FINANCIAL INFORMATION

1. STATEMENTS OF COMPREHENSIVE INCOME

		Company		Group	
		Years ended 31 December		Year ended 31 December	Nine months ended 30 September
		2010	2011	2012	2013
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*7*	–	–	–	404,590
Cost of sales		–	–	–	(347,075)
Gross profit		–	–	–	57,515
Other income	*8*	–	–	–	8,094
Other gains and losses	*8*	–	–	112,610	6,868
Share of profit/(loss) of an associate	*16*	(391)	107	7,441	–
Distribution costs		–	–	–	(10,372)
Administrative expenses		(23)	(23)	(71)	(10,674)
Finance costs	*9*	–	–	–	(6,611)
Profit/(loss) before income tax expense	*11*	(414)	84	119,980	44,820
Income tax expense	*12*	–	–	–	(11,212)
Profit/(loss) for the year/period		(414)	84	119,980	33,608
Other comprehensive income, which may be reclassified subsequently to profit or loss, net of tax					
Reclassification adjustment of foreign exchange reserve upon step acquisition of subsidiaries		–	–	(2,980)	–
Exchange differences on translating foreign operations		457	440	77	3,820
Other comprehensive income for the year/period, net of tax		457	440	(2,903)	3,820
Total comprehensive income for the year/period		43	524	117,077	37,428
Profit/(loss) for the year/period attributable to:					
Owners of the Company		(414)	84	119,980	21,795
Non-controlling interests		–	–	–	11,813
		(414)	84	119,980	33,608
Total comprehensive income for the year/period attributable to:					
Owners of the Company		43	524	117,077	24,337
Non-controlling interests		–	–	–	13,091
		43	524	117,077	37,428
Earnings/(loss) per share					
Basic and diluted	*14*	(414)	84	119,980	21,795

2. ECONOMIC INTEREST AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Company		Group	
		At 31 December		At 31 December	At 30 September
		2010	2011	2012	2013
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	15	–	–	189,830	180,430
Payments for leasehold land held for own use under operating leases	18	–	–	35,527	35,838
Intangible assets	19	–	–	168	138
Interest in an associate	16	12,723	11,595	–	–
Goodwill	17	–	–	102,135	102,135
Deferred income tax assets	27	–	–	2,081	458
Total non-current assets		12,723	11,595	329,741	318,999
Current assets					
Inventories	21	–	–	85,579	35,094
Trade and notes receivables	22	–	–	167,958	167,734
Other receivables, deposits and prepayments	23	8,212	8,212	61,608	87,649
Amount due from a related party	28	–	1,674	–	–
Pledged bank deposits	24	–	–	125	2,878
Cash and cash equivalents	24	15	15	5,186	7,889
Total current assets		8,227	9,901	320,456	301,244
Total assets		20,950	21,496	650,197	620,243
Current liabilities					
Trade and notes payables	25	–	–	119,870	138,754
Other payables, deposits received and accruals	25	48	64	198,312	92,782
Bank borrowings	26	–	–	66,263	78,769
Amount due to a related party	28	6,233	6,239	42,488	57,224
Income tax payable		–	–	9,582	4,811
Total current liabilities		6,281	6,303	436,515	372,340
Net current assets/(liabilities)		1,946	3,598	(116,059)	(71,096)
Total assets less current liabilities		14,669	15,193	213,682	247,903
Non-current liabilities					
Bank borrowings	26	–	–	–	32,773
Deferred income tax liabilities	27	–	–	4,412	3,947
Total non-current liabilities		–	–	4,412	36,720
Total liabilities		6,281	6,303	440,927	409,060
NET ASSETS		14,669	15,193	209,270	211,183

2. ECONOMIC INTEREST AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – Continued

		Company		Group	
		At 31 December		At 31 December	At 30 September
		2010	2011	2012	2013
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves					
Share capital	*30*	1,000	1,000	1,000	–
Statutory reserve	*31*	–	–	–	2,012
Foreign exchange reserve	*31*	3,428	3,868	965	3,507
Retained earnings	*31*	10,241	10,325	130,305	163,420
Equity attributable to owners of the Company		14,669	15,193	132,270	168,939
Non-controlling interests	*32*	–	–	77,000	42,244
TOTAL EQUITY		14,669	15,193	209,270	211,183

3. STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
		2010	2011	2012	2013
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Interest in an associate	*16*	7,762	7,762	–	–
Interest in subsidiaries	*20*	–	–	30,821	1,000
Total non-current assets		7,762	7,762	30,821	1,000
Current assets					
Other receivables and prepayments	*23*	8,212	8,212	20,743	–
Amount due from a related party	*28*	–	1,674	1,124	–
Cash and cash equivalents	*24*	15	15	1,139	–
Total current assets		8,227	9,901	23,006	–
Total assets		15,989	17,663	53,827	1,000
Current liabilities					
Other payables and accruals	*25*	48	64	51	16
Amount due to a related party	*28*	6,233	6,239	42,488	1,000
Total current liabilities		6,281	6,303	42,539	1,016
Net current assets/(liabilities)		1,946	3,598	(19,533)	(1,016)
Total assets less current liabilities		9,708	11,360	11,288	(16)
Capital and reserves					
Share capital	*30*	1,000	1,000	1,000	–
Foreign exchange reserve	*31*	965	965	965	–
Retained earnings/ (accumulated losses)	*31*	7,743	9,395	9,323	(16)
TOTAL EQUITY/(DEFICIT)		9,708	11,360	11,288	(16)

4. STATEMENTS OF CHANGES IN EQUITY

	Share capital HK$'000	Statutory reserve HK$'000	Foreign exchange reserve HK$'000	Retained earnings HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	1,000	–	2,971	10,655	14,626	–	14,626
Loss for the year	–	–	–	(414)	(414)	–	(414)
Exchange differences on translating foreign operations	–	–	457	–	457	–	457
Total comprehensive income for the year	–	–	457	(414)	43	–	43
At 31 December 2010	1,000	–	3,428	10,241	14,669	–	14,669
Profit for the year	–	–	–	84	84	–	84
Exchange differences on translating foreign operations	–	–	440	–	440	–	440
Total comprehensive income for the year	–	–	440	84	524	–	524
At 31 December 2011	1,000	–	3,868	10,325	15,193	–	15,193
Profit for the year	–	–	–	119,980	119,980	–	119,980
Reclassification adjustment of foreign exchange reserve upon step acquisition of subsidiaries *(note 8)*	–	–	(2,980)	–	(2,980)	–	(2,980)
Exchange differences on translating foreign operations	–	–	77	–	77	–	77
Total comprehensive income for the year	–	–	(2,903)	119,980	117,077	–	117,077
Acquisition of subsidiaries *(note 40)*	–	–	–	–	–	77,000	77,000
At 31 December 2012	1,000	–	965	130,305	132,270	77,000	209,270
Profit for the period	–	–	–	21,795	21,795	11,813	33,608
Exchange differences on translating foreign operations	–	–	2,542	–	2,542	1,278	3,820
Total comprehensive income for the period	–	–	2,542	21,795	24,337	13,091	37,428
Reorganisation *(note 30)*	(1,000)	–	–	–	(1,000)	–	(1,000)
Dividend *(note 29)*	–	–	–	(1,119)	(1,119)	–	(1,119)
Acquisition of additional interest in subsidiaries *(note 32)*	–	–	–	14,451	14,451	(47,847)	(33,396)
Transfer of reserve	–	2,012	–	(2,012)	–	–	–
At 30 September 2013	–	2,012	3,507	163,420	168,939	42,244	211,183

5. STATEMENTS OF CASH FLOWS

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities				
Profit/(loss) before income tax expense	(414)	84	119,980	44,820
Adjustments for:				
Interest expense	–	–	–	6,611
Reimbursement of interest expense	–	–	–	(835)
Depreciation of property, plant and equipment	–	–	–	17,082
Amortisation of payments for leasehold land held for own use under operating leases	–	–	–	638
Amortisation of intangible assets	–	–	–	34
Recovery of previously written off inventories	–	–	–	(4,661)
Recovery of previously written off trade receivables	–	–	–	(2,394)
Gain on disposal of property, plant and equipment	–	–	–	(4,089)
Share of (profit)/loss of an associate	391	(107)	(7,441)	–
Reclassification adjustment of foreign exchange reserve upon step acquisition of subsidiaries	–	–	(2,980)	–
Gain on remeasurement of interest in an associate	–	–	(109,630)	–
Operating profit/(loss) before working capital changes	(23)	(23)	(71)	57,206
Increase in trade and other receivables	–	–	(31)	(4,142)
Decrease in inventories	–	–	–	56,883
Increase/(decrease) in trade and other payables	16	16	477	(8,533)
Cash generated from/(used in) operations	(7)	(7)	375	101,414
Interest paid	–	–	–	(6,611)
Income tax paid	–	–	–	(15,097)
Net cash from/(used in) operating activities	(7)	(7)	375	79,706
Cash flows from investing activities				
Payments to acquire property, plant and equipment	–	–	–	(4,592)
Proceeds from disposal of property, plant and equipment	–	–	–	5,995
Capital injection to a subsidiary, net of cash acquired *(note 40)*	–	–	(18,953)	–
Increase in amount due from related parties of a subsidiary	–	–	–	(1,340)
Cash advance to a supplier	–	–	–	(31,945)
Increase in pledged bank deposits	–	–	–	(2,721)
Net cash used in investing activities	–	–	(18,953)	(34,603)

5. STATEMENTS OF CASH FLOWS – Continued

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from financing activities				
Prepayments for acquisition of additional equity interest of a subsidiary	–	–	(12,500)	–
Payments for acquisition of additional equity interest of a subsidiary	–	–	–	(12,500)
Proceeds from bank and other borrowings	–	–	–	196,914
Repayments of bank borrowings	–	–	–	141,565
Decrease in amount due to related parties of a subsidiary	–	–	–	(98,009)
Increase in amount due to a related party	6	7	36,249	13,732
Dividend paid	–	–	–	(1,119)
Net cash generated from/(used in) financing activities	6	7	23,749	(42,547)
Net increase/(decrease) in cash and cash equivalents	(1)	–	5,171	2,556
Cash and cash equivalents at the beginning of the year/period	16	15	15	5,186
Effect of foreign exchange rate changes	–	–	–	147
Cash and cash equivalents at end of the year/period	15	15	5,186	7,889

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was established in the British Virgin Islands on 28 May 2013 with limited liability. The address of the registered office of the Company is at Palm Grove House, P.O. Box 438, Road Town, Tortola, the British Virgin Islands. The principal place of business for the Company is Unit 17C, Silvercorp Int'l Tower, 713 Nathan Road, Kowloon, Hong Kong.

The director considers the ultimate controlling party of the Group is Mr. Xiao Guang Kevin ("Mr. Xiao").

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing and trading of pre-stressed ("PC") steel bar, pre-stressed high strength concrete pile ("PHC piles"), ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-permeable concrete products. At each of the end of the Relevant Periods, the Company has direct or indirect interests in the following subsidiaries, the particulars of which are set out as follows:

Name of a subsidiaries	Principal place of business and date of incorporation/ establishment	Place of operation	Particulars of registered and paid up capital at the date of this report	Interest held At 31 December 2010	2011	2012	At 30 September 2013
Royal Asia International Limited ("Royal Asia") *(Note a)*	Hong Kong, 1 April 1998	Hong Kong	HK$1,000,000	–	–	–	Directly held 100%
Zhuhai Hoston Special Materials Co., Ltd. ("Zhuhai Hoston") *(Note b)*	PRC, 26 October 1995	PRC	RMB56,000,000	Indirectly held 25%	Indirectly held 25%	Indirectly held 50.4%	Indirectly held 95%
Guangdong Hengjia Construction Materials Co., Ltd. ("Guangdong Hengjia") *(Note c)*	PRC, 11 September 2007	PRC	RMB50,000,000	–	–	Indirectly held 35.3%	Indirectly held 66.5%

Notes:

(a) Royal Asia was incorporated as a company with limited liability and principal activity is investment holding. Its statutory individual financial statements for each of the years ended 31 December 2010, 2011 and 2012 were prepared in accordance with the generally accepted accounting principles in Hong Kong and were audited by W.H. Tse & Company and BDO Limited which are certified public accountants registered in Hong Kong.

(b) Zhuhai Hoston was incorporated as a sino-foreign joint venture with limited liability and the principal activities are manufacturing and trading of PC steel bars, steel strand wires, various pre-stressed materials and their respective production equipment, and industrial and building pre-stressed materials. Its statutory individual financial statements for each of the years ended 31 December 2010, 2011 and 2012 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP") and were audited by Reanda Certified Public Accountant Co., Ltd. 利安達會計師事務所有限責任公司 ("Reanda") which is a certified public accountant registered in the PRC.

(c) Guangdong Hengjia was incorporated as a company with limited liability and its principal activities are manufacturing and trading of PHC piles, ready-mixed concrete, sand lime bricks, aerated concrete products and eco-permeable concrete products. Its statutory individual financial statements for each of the years ended 31 December 2010, 2011 and 2012 were prepared in accordance with the PRC GAAP and were audited by certified public accountants registered in the PRC. The statutory financial statements of Guangdong Hengjia for the years ended 31 December 2010 and 2011 were audited by 陽江市啟陽會計師事務所 Yangjiang Qiyang CPA Co., Ltd. while the statutory financial statements of Guangdong Hengjia for the years ended 31 December 2012 was audited by Reanda.

The Financial Information has been approved for issue by the board of directors on 31 March 2014.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information has been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Financial Information includes applicable disclosures required by the Listing Rules.

All HKFRSs effective for the accounting periods commencing from 1 January 2013 and relevant to the Group, have been adopted by the Group in the preparation of the Financial Information consistently throughout the Relevant Periods to the extent required or allowed by the transitional provisions in HKFRSs.

(b) Basis of measurement

The Financial Information has been prepared under the historical cost convention.

Accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 5.

(c) Group reorganisation and basis of preparation of the Financial Information

Through acquisition as disclosed in note 40, Royal Asia obtained control of Zhuhai Hoston and its subsidiary (collectively the "Zhuhai Hoston Group") as at 31 December 2012.

In May 2013, the Company was incorporated. It became the holding company of the subsidiaries now comprising the Group upon the completion of a share transfer transaction with the then existing shareholders of Royal Asia (the "Reorganisation").

The share transfer transaction was not a business combination and did not result in any change in economic substance. The consolidated financial statements of the Company are a continuation of Royal Asia.

Due to aforementioned Reorganisation, the statement of financial position as at 31 December 2010 and 2011 and statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the years ended 31 December 2010 and 2011 represent financial information of Royal Asia. Consolidated statement of financial position at 31 December 2012 and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2012 represent consolidated financial information of Royal Asia.

The consolidated statement of financial position at 30 September 2013 and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the nine months ended 30 September 2013 represent consolidated financial information of Royal Asia and the Company. The economic interest statements of financial position as at 31 December 2010 and 2011 represent financial information of Royal Asia with accounting its interest in an associate at equity method. There are no comparatives to the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the nine months ended 30 September 2013 as Zhuhai Hoston became the sole subsidiary directly held by Royal Asia on 31 December 2012.

(d) Functional and presentation currency

The Financial Information presented in Hong Kong dollar ("HK$") which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

3. POTENTIAL IMPACT ARISING ON THE NEW HKFRSs NOT YET EFFECTIVE

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[1]
HK(IFRIC) Interpretation 21	Levies[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets[1]
HKFRS 9	Financial Instruments
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]

1 Effective for annual periods beginning on or after 1 January 2014

HKAS 32 – Offsetting Financial Assets and Financial Liabilities

HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the HKAS 32 offsetting systems (such as central clear house system which apply gross settlement mechanism that are not simultaneous).

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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 – Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements. To qualify as an investment entity, a reporting entity is required to:

– obtain funds from one or more investors for the purpose of providing them with professional investment management services;

– commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

– measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities. The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

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.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation and subsidiary

Except for the business combination under common control, which is accounted for using the principle of merger accounting (note 4(a)), 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.

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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 interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(b) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

(c) Property, plant and equipment

Property, plant and equipment, other than construction-in-progress, is stated at cost less accumulated depreciation and any impairment losses.

The cost of property, plant and equipment comprises its purchase price and costs directly attributable to the acquisition of the item.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial year/period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their costs of over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives are as follows:

Building	20–30 years
Plant and machinery	5–15 years
Office equipment	3–5 years
Motor vehicles	5–10 years

Construction in progress represents property, plant and equipment under construction and is stated at cost less any impairment losses. Cost comprises direct costs of construction as well as capitalised borrowing costs during the period of construction and installation. Capitalisation of these costs ceases when substantially all the activities necessary to prepare the asset for its intended use are completed. Construction in progress is transferred to appropriate class of property, plant and equipment when it is completed and ready for its intended use and depreciated in accordance with the accounting policy of depreciation.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in profit or loss.

(d) Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in profit or loss. The useful life of the intangible assets is estimated to be 3-5 years.

(e) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied land parcels. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis an expense.

(f) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, interests in leasehold land held for own use under operating leases, intangible assets, interest in associate and interest in subsidiaries held by the Company 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 reduced.

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.

(g) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted-average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Financial instruments

(i) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. The Group has one category of financial assets being loans and receivables.

Trade and note receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

An impairment loss is reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) *Financial liabilities*

The Group has one category of financial liabilities being financial liabilities at amortised cost. These liabilities, including trade and other payables, are initially recognised at fair value, net of directly attributable costs incurred. Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) *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 Periods. 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.

(iv) *Equity instruments*

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

(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.

(j) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) 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 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.

(l) Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of lease.

(m) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they intended to compensate, on a systematic basis. Government grants that are receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(n) Income taxes

Income taxes for the year/period 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 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 investment in subsidiaries, associates, except where the Company 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.

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 directly recognised in other comprehensive income.

(o) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (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.

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.

(p) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution retirement benefit scheme

The Group pays contributions to defined contribution plans, being publicly administered pension insurance plans on mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts and exclude value added tax.

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Interest income is recognised on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

(r) 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

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 the that period and future periods.

The key sources of estimation uncertainty are discussed below:

Impairment of property, plant and equipment

The Group tests annually whether property, plant and equipment have suffered any impairment. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation in future periods.

Impairment of trade and other receivables

Recoverability of trade and other receivables is reviewed by management based on the receivables' aging characteristics, management evaluation of the current creditworthiness and past collection history of each customer. Judgment is required in assessing the ultimate realisation of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

Write down of inventories to net realisable value

Write down of inventories to net realisable value is made by reference to the aging and estimated net realisable value of inventories. The assessment of the write-down amount involves management's judgments and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the inventories and the write-down charge/reversal in the period in which such estimate has been changed.

6. SEGMENT REPORTING

For the year ended 31 December 2010 and 2011, the principal activities of the Group are investment holding. At 31 December 2012, the Group increased its shareholdings to 50.4% equity interests in Zhuhai Hoston which also held 70% equity interests in Guangdong Hengjia. The principal activities of Zhuhai Hoston are manufacturing and trading PC steel bars, steel strand wires, various pre-stressed materials and their respective production equipment, and industrial and building pre-stressed materials. The principal activities of Guangdong Hengjia are manufacturing and trading of PHC piles, ready-mixed concrete, sand lime bricks, aerated concrete products and eco-permeable concrete products. With this increase of shareholding in Zhuhai Hoston, the Group has two reportable segments for year ended 31 December 2012 and nine months ended 30 September 2013. The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

– PC bar – sales and manufacturing of PC steel bar for steel strand wires, various pre-stressed materials and their respective production equipment, and industrial and building pre-stressed materials

– PHC piles and others – sales and manufacturing of PHC piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products

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

(a) Business Segments

For the nine months ended 30 September 2013

	PC bar	PHC piles and others	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers	177,600	226,990	404,590
Inter-segment revenue	16,030	–	16,030
Reportable segment revenue	193,630	226,990	420,620
Reportable segment profit	7,693	29,207	36,900
Reimbursement of interest expense	835	–	835
Interest expense	(3,764)	(2,847)	(6,611)
Depreciation and amortisation	(1,653)	(16,101)	(17,754)
Recovery of previously written off trade receivables	549	1,845	2,394
Recovery of previously written off inventories	3,727	934	4,661
Income tax expense	(3,574)	(7,638)	(11,212)
Reportable segment assets	157,599	360,888	518,487
Additions to non-current assets	3,028	1,564	4,592
Reportable segment liabilities	110,236	233,806	344,042

As at 31 December 2012

	PC bar	PHC piles and others	Total
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment assets	168,362	383,172	551,534
Reportable segment liabilities	133,828	278,017	411,845

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

	Nine months ended 30 September 2013
	HK$'000
Revenue	
Reportable segment revenue	420,620
Elimination of inter-segment revenue	(16,030)
Consolidated revenue	404,590

	Nine months ended 30 September 2013
	HK$'000
Profit before income tax expense	
Reportable segment profit	36,900
Elimination of inter-segment profit	(386)
Other income	8,094
Other gains and losses	6,868
Finance costs	(6,611)
Unallocated corporate expenses	(45)
Consolidated profit before income tax expense	44,820

	At 31 December 2012 HK$'000	As at 30 September 2013 HK$'000
Reportable segment assets		
Reportable segment assets	551,534	518,487
Elimination of inter-segment receivables	(27,451)	(1,020)
Deferred income tax assets	2,081	458
Goodwill	102,135	102,135
Unallocated corporate assets	21,898	183
Consolidated total assets	650,197	620,243

	At 31 December 2012 HK$'000	As at 30 September 2013 HK$'000
Reportable segment liabilities		
Reportable segment liabilities	411,845	344,042
Elimination of inter-segment payables	(27,451)	(1,020)
Current tax liabilities	9,582	4,810
Deferred income tax liabilities	4,412	3,947
Amount due to a related party	42,488	57,225
Unallocated corporate liability	51	56
Consolidated total liabilities	440,927	409,060

(c) Geographical information

The Group's operations and assets are located in the PRC, in which all of its revenue was derived.

7. TURNOVER

Turnover, which is also the revenue, represents the net invoiced value of goods sold, net of discounts and sales related taxes.

8. OTHER INCOME, GAINS AND LOSSES

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other income				
Government grants *(note a)*	–	–	–	37
Reimbursement of interest expenses	–	–	–	835
Compensation from suppliers	–	–	–	1,192
Compensation from customers	–	–	–	3,332
Others	–	–	–	2,698
	–	–	–	8,094
Other gains and losses				
Recovery of previously written off trade receivables	–	–	–	2,394
Gain on disposal of property, plant and equipment	–	–	–	4,089
Gain on remeasurement of equity interest previously held as investments in an associate *(note b)*	–	–	109,630	–
Reclassification adjustment of foreign exchange reserve upon step acquisition of subsidiaries *(note b)*	–	–	2,980	–
Other gains	–	–	–	385
	–	–	112,610	6,868
Total	–	–	112,610	14,962

Note:

(a) For the nine months ended 30 September 2013, the Group received grants from the local government in the PRC as the support to the development of the Group. There was no attaching condition to the grant and the Group recognised the grants as income upon receipt.

(b) Before the acquisition of Zhuhai Hoston at 31 December 2012 as disclosed in note 40, the Company held 25% equity interest of Zhuhai Hoston as interest in an associate. The acquisition is accounted for as a business combination achieved in stages. Accordingly, the Company re-measures its previously held equity interest in Zhuhai Hoston at its acquisition-date fair value and recognises gain of HK$109,630,000 in the consolidated statement of comprehensive income for the year ended 31 December 2012. Further, exchange gain of HK$2,980,000 recognised previously as other comprehensive income is reclassified from the foreign exchange reserve to consolidated profit or loss upon the acquisition.

9. FINANCE COSTS

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest on bank borrowings wholly repayable within five years	–	–	–	6,611

10. REMUNERATION OF DIRECTORS AND EMPLOYEES

(a) Directors' remuneration

Details of the remunerations to the directors are as follows:

Year ended 31 December 2010, 2011, 2012 and nine months ended 30 September 2013

	Fees	Salaries and allowances	Defined contribution retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
– Mr. Xiao *(note a)*	–	–	–	–
– Ms. Tse On Fei *(note b)*	–	–	–	–
	–	–	–	–

Notes:

(a) Mr. Xiao was appointed as the director of Royal Asia during the Relevant Periods. At 3 June 2013, Mr. Xiao was appointed as the director of the Company.

(b) Ms. Tse On Fei was appointed as the director of Royal Asia and resigned on 27 June 2012.

(b) Five highest paid individuals

Details of remunerations of the five highest paid non-director employees whose remunerations are all below HK$1,000,000 during the Relevant Periods and are disclosed as follows:

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Salaries and allowances	–	–	–	548
Defined contribution retirement benefit scheme contributions	–	–	–	22
	–	–	–	570

There was no arrangement under which the directors waived or agreed to waive any remuneration during the Relevant Periods. No emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office during the Relevant Periods.

11. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

Profit/(loss) before income tax expense is stated after charging/(crediting) the following:

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Inventories recognised as an expense	–	–	–	345,478
Recovery of previously written off inventories	–	–	–	(4,661)
Auditor's remuneration *(note)*	12	12	25	103
Depreciation of property, plant and equipment *(note 15)*	–	–	–	17,082
Amortisation of intangible assets	–	–	–	34
Amortisation of payments for leasehold land held for own use under operating leases	–	–	–	638
Recovery of previously written off trade receivables	–	–	–	(2,394)
Employee benefit expenses, excluding directors' remuneration *(note 10(a)):*				
– Salaries, bonus and allowances	–	–	–	17,972
– Defined contribution retirement benefit scheme contributions	–	–	–	1,378

Note: The remunerations from 2010 to 2013 represent the auditor's remuneration for issuing statutory financial statements of the group entities.

12. INCOME TAX EXPENSE

Income tax expense in the statements of comprehensive income represents:

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current tax – provision for the year/period *(note)*	–	–	–	10,129
Deferred tax – charge for the year/period	–	–	–	1,083
Income tax expense	–	–	–	11,212

Note: It represents PRC Enterprise Income Tax (the "EIT") charged on the estimated tax assessable profit that was generated by the PRC subsidiaries for the nine months ended 30 September 2013 and the applicable tax rate of the Group is 25%. Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the Relevant Periods. No provision for Hong Kong profits tax has been made as the Group did not carry out any business or generate any assessable profits in Hong Kong for the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled to the profit/(loss) before income tax expense per the statements of comprehensive income and details are as follows::

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) before income tax expense	(414)	84	119,980	44,820
Tax on profit/(loss) at the rates applicable to the jurisdictions concerned	(68)	14	19,797	11,205
Tax effect of expenses not deductible for tax purposes	68	3	12	7
Tax effect of income not taxable for tax purposes	–	(17)	(19,809)	–
Income tax expense	–	–	–	11,212

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the nine months ended 30 September 2013, the loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$16,000.

14. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the profit/(loss) attributable to owners of the Company and on the number of 1 share in issue on the assumption that the Reorganisation as detailed in note 4(a) have been effective on 1 January 2010. No diluted earnings per share is presented as there were no potential dilutive shares during the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

Group	Building	Plant and machinery	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2012	–	–	–	–	–
Acquisition through business combination	71,422	102,586	10,791	5,031	189,830
At 31 December 2012	71,422	102,586	10,791	5,031	189,830
Additions	128	3,934	516	14	4,592
Disposals	–	(2,661)	–	–	(2,661)
Exchange differences	2,136	3,032	505	229	5,902
At 30 September 2013	73,686	106,891	11,812	5,274	197,663
Accumulated depreciation					
At 1 January 2012 and 2013	–	–	–	–	–
Charge for the period	2,257	11,420	2,546	859	17,082
Disposals	–	(755)	–	–	(755)
Exchange differences	220	349	234	103	906
At 30 September 2013	2,477	11,014	2,780	962	17,233
Carrying amount					
At 31 December 2012	71,422	102,586	10,791	5,031	189,830
At 30 September 2013	71,209	95,877	9,032	4,312	180,430

Note: As at 31 December 2012 and 30 September 2013, certain property, plant and equipment were pledged to secure the banking facilities and bank borrowings (note 26).

16. INTEREST IN AN ASSOCIATE

Group

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	7,762	7,762	–	–
Share of post – acquisition profit and other comprehensive income	4,961	3,833	–	–
	12,723	11,595	–	–

Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	7,762	7,762	–	–

Details of the associate are as follows:

Name	**Form of business structure**	**Place of incorporation**	**Place of operation and principal activities**	**Percentage of ownership interests/voting rights/profit share for the year ended 31 December 2010 and 2011**
Zhuhai Hoston	Sino joint venture with limited liability	The PRC	Manufacture and sale of PC steel bars, steel strand wires, various pre-stressed materials and their respective production equipment, and industrial and building pre-stressed materials in the PRC	25%

On 31 December 2012, the Group increased its equity interest in Zhuhai Hoston by 25.4% from 25% to 50.4% through additional capital contribution of HK$23,000,000. The transaction resulted in Zhuhai Hoston ceasing to be an associate and becoming a subsidiary of the Group. For details, please refer to note 40.

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

	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Current assets	115,806	148,907	297,887
Non-current assets	36,446	35,975	228,740
Current liabilities	102,318	139,255	395,633
Non-current liabilities	–	–	4,614
Group's share of net assets of an associate	12,484	11,407	N/A

	For the years ended 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Total revenue	233,895	288,121	255,794
Total (loss)/profit for the year	(1,562)	428	31,025
Other comprehensive income for the year	1,832	1,759	(264)
Total comprehensive income for the year	270	2,187	30,761
Company's share of (loss)/profits of an associate for the year	(391)	107	7,441
Dividend from an associate	–	1,674	–

17. GOODWILL

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At beginning of the year/period	–	–	–	102,135
Additions *(note 40)*	–	–	102,135	–
At end of the year/period	–	–	102,135	102,135

The Group acquired Zhuhai Hoston at 31 December 2012. These transactions have been accounted for by the acquisition method of accounting.

The Group tests goodwill annually for impairment at each financial period end, or more frequently if there are indications that goodwill might be impaired.

For the purposes of impairment testing, goodwill has been allocated to one cash generating unit (the "CGU"), including subsidiaries with principal activities of manufacturing and trading of PC bar, PHC piles, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-permeable concrete products which is identical to the "PC bar" and "PHC piles and others" under operating segments.

The basis of the recoverable amounts of the above CGU at 31 December 2012 and 30 September 2013 and its major underlying assumptions are summarised below:

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a four-year period, and discount rate of 14.4%. The growth rate used to extrapolate the cash flows beyond the four-year period is 3% which does not exceed the long-term growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

During the year ended 31 December 2012 and the nine months ended 30 September 2013, management of the Group determines that there are no impairments of any of its CGU containing goodwill.

18. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

Group

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Leasehold land outside Hong Kong:				
– medium term lease	–	–	35,527	35,838

As at 31 December 2012 and 30 September 2013, certain payments for leasehold land held for own use under operating leases were pledged to secure the banking facilities and bank borrowings (note 26).

19. INTANGIBLE ASSETS

Group

	HK$'000
Cost	
At 1 January 2012	–
Acquisition through business combination	168
At 31 December 2012	168
Exchange differences	7
At 30 September 2013	175
Accumulated amortisation	
At 1 January 2012 and 2013	–
Charge for the period	34
Exchange differences	3
At 30 September 2013	37
Carrying amount	–
At 31 December 2012	168
At 30 September 2013	138

20. INTEREST IN SUBSIDIARIES

Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted investment, at cost	–	–	30,821	1,000

Interest in subsidiaries at 31 December 2012 represents investment in Zhuhai Hoston of Royal Asia.

For the interest in subsidiaries at 30 September 2013, it represents investment in Royal Asia of the Company which acquired all the issued share of Royal Asia at HK$1,000,000 on 21 August 2013. For details of Zhuhai Hoston and Royal Asia, please refer to note 1 of Section B.

21. INVENTORIES

Group

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	–	–	16,159	13,162
Packing materials	–	–	488	440
Work in progress	–	–	784	714
Finished goods	–	–	68,148	20,778
	–	–	85,579	35,094

As at 31 December 2012 and 30 September 2013, certain inventories were pledged to secure the banking facilities and bank borrowings (note 26).

For the nine months ended 30 September 2013, previously written off inventories of HK$4,661,000 was recovered. The Group has sold these investors to customers during the nine months ended 30 September 2013 at original cost. The amount recovered had been included in "cost of sales" of the consolidated statement of comprehensive income.

22. TRADE AND NOTES RECEIVABLES

Group

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	–	–	164,381	167,356
Notes receivables *(note b)*	–	–	3,577	378
	–	–	167,958	167,734

Notes:

(a) The Group generally grants credit terms of 30 to 90 days to customers. The aging analysis of trade receivables, net of allowance at the end of the Relevant Periods, is as follows:

Group

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	–	–	48,859	74,624
Within 2 to 3 months	–	–	92,715	15,539
Over 3 months but within 1 year	–	–	18,231	76,696
Over 1 year but within 3 years	–	–	4,541	372
Over 3 years	–	–	35	125
	–	–	164,381	167,356

The Group regularly reviews trade receivables for their recoverability. Allowance on trade receivables is recognised based on estimated recoverable amount by reference to objective evidence of impairment (note 4(j)(i)). In determining the recoverability of trade receivables, the Group monitors any change in the credit quality of trade receivables since the credit was granted and up to the reporting date.

(b) As at 31 December 2012 and 30 September 2013, the Group discounted part of its notes receivables with full recourse to financial institutions. In the event of default by the notes receivables, the Group is obliged to pay the financial institutions the amount in default. Interest is charged for the year ended 31 December 2012 and nine months ended 30 September 2013 respectively on the proceeds received from the financial institutions until the date the notes receivables pay. The Group is therefore exposed to the risks of credit losses and late payment in respect of the discounted notes.

The discounting transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted notes receivables. At 31 December 2012 and 30 September 2013, respective note receivables of HK$3,577,000 and HK$378,000 continue to be recognised in the consolidated financial statements even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in borrowings as asset-backed financing (note 26) until the notes receivables are collected or the Group settles any losses suffered by the financial institutions. At 31 December 2012 and 30 September 2013, the asset-backed financing liability amounted to HK$3,577,000 and HK$378,000 respectively.

Because the notes receivables have been transferred to the financial institutions legally, the Group did not have the authority to determine the disposition of the notes receivables.

(c) As at 31 December 2012 and 30 September 2013, certain trade receivables were pledged to secure banking facilities and bank borrowings (note 26).

Aging analysis of trade receivables that were past due but not impaired are as follows:

Group

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Past due:				
– within 3 months	–	–	100,261	19,494
– over 3 months but within 1 year	–	–	4,090	49,212
– over 1 year	–	–	1,883	465
	–	–	106,234	69,171

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

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Group

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables *(note a)*	8,212	8,212	29,770	39,983
Deposits and prepayments *(note b)*	–	–	31,838	47,666
	8,212	8,212	61,608	87,649

Company

	As at 31 December			At at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables and prepayments	8,212	8,212	20,743	–

Notes:

(a) As at 31 December 2010, 2011 and 2012, other receivables mainly represent advance to a shareholder of Zhuhai Hoston. As at 30 September 2013, other receivables mainly represent advance to major suppliers.

(b) As at 31 December 2012 and 30 September 2013, deposits and prepayments mainly represent payments made to suppliers for the purchase of raw materials, utilities and deposits made to independent guarantee companies which provide financial guarantee to the Group to secure bank borrowings. As at 31 December 2012 and 30 September 2013, deposit of the Group with carrying amount of HK$2,229,000 and HK$4,785,000 has been pledged as securities for certain bank borrowings of the Group (note 26).

24. CASH AND BANK BALANCES

Group

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	15	15	5,311	10,767
Less: pledged bank deposits	–	–	(125)	(2,878)
Cash and cash equivalents	15	15	5,186	7,889

Company

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	15	15	1,139	–

Pledged bank deposits mainly represent the Group's bank deposits pledged to secure certain banking facilities and bank borrowings (note 26) at 31 December 2012 and 30 September 2013.

As at 31 December 2012 and 30 September 2013, included in cash and bank balances of the Group were HK$4,172,000 and HK$10,583,000 of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency.

25. TRADE PAYABLES, NOTES PAYABLES, OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

Group

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	–	–	119,870	138,754
Other payables and accruals	48	64	182,540	63,130
Deposits received	–	–	15,772	29,652
	48	64	198,312	92,782
	48	64	318,182	231,536

Company

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	48	64	51	16

Generally, the average credit terms received from suppliers of the Group is 30 days. The aging analysis of trade payables, based on invoice dates, at the end of each of the Relevant Periods are as follows:

Group

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	–	–	50,370	112,907
Within 2 to 3 months	–	–	54,222	3,125
Over 3 months but within 1 year	–	–	9,802	20,329
Over 1 year	–	–	5,476	2,393
	–	–	119,870	138,754

Company

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	48	64	51	16

26. BANK BORROWINGS

Group

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Short-term bank borrowings	–	–	62,686	78,391
Asset-backed financing *(note c)*	–	–	3,577	378
Short-term bank borrowings, secured	–	–	66,263	78,769
Non-current				
Long-term bank borrowings, secured	–	–	–	32,773

Notes:

(a) All bank borrowings were denominated in RMB.

(b) At 31 December 2012 and 30 September 2013, weighted average effective interest rates of the Group for bank borrowings were 5% and 8% respectively.

(c) The asset-backed financing represents the amount of financing obtained in factoring transactions which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets are included in notes receivables (note 22).

(d) The Group had pledged certain bank deposits, trade receivables, other receivables, inventories, property, plant and equipment and payments for leasehold land held for own use under operating leases to secure the banking facilities and bank borrowings. The carrying values of these assets pledged at the end of the Relevant Periods were as follows:

Group

	As at 31 December			**As at 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank deposits	–	–	125	1,618
Trade receivables	–	–	32,363	9,015
Other receivables	–	–	2,229	4,785
Inventories	–	–	26,299	12,514
Property, plant and equipment	–	–	43,708	75,407
Payments for leasehold land held for own use under operating leases	–	–	5,168	5,153
	–	–	109,892	108,492

(e) At the end of each of the Relevant Periods, total current and non-current bank borrowings of the Group were scheduled to repay as follows:

	As at 31 December			**As at 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
On demand or within one year	–	–	66,263	78,769
More than two years, but not exceeding five years	–	–	–	32,773
	–	–	66,263	111,542

27. DEFERRED INCOME TAXATION

Deferred tax balances are presented in the consolidated statements of financial position as follows:

Group

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income tax assets	–	–	2,081	458
Deferred income tax liabilities	–	–	(4,412)	(3,947)
	–	–	(2,331)	(3,489)

Details of the deferred income tax assets/(liabilities) recognised during the Relevant Periods are as follows:

Group

	Accelerated amortisation	Written off of trade receivables	Written off of inventories	Written off of other receivables	Unrealised profit on intercompany transactions	Revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	–	–	–	–	–	–	–
Acquired through business combination	137	698	1,184	62	–	(4,412)	(2,331)
At 31 December 2012	137	698	1,184	62	–	(4,412)	(2,331)
Credited/(debited) to profit or loss	7	(598)	(1,166)	–	97	577	(1,083)
Exchange differences	10	5	21	3	–	(114)	(75)
At 30 September 2013	154	105	39	65	97	(3,949)	(3,489)

28. AMOUNTS DUE FROM/(TO) A RELATED PARTY

The amounts are unsecured, non-interest bearing and repayable on demand.

29. DIVIDEND

	Years ended 31 December			Nine months ended 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Final dividends	–	–	–	1,119

Pursuant to the ordinary resolution passed at the general meeting, Royal Asia declared a dividend of approximately HK$1.12 per share, totalling approximately HK$1,119,000 to the then shareholders.

30. SHARE CAPITAL

	As at 31 December						As at 30 September	
	2010		2011		2012		2013	
	Number of share '000	*HK$'000*	*Number of share '000*	*HK$'000*	*Number of share '000*	*HK$'000*	*Number of share*	*HK$*
Registered share capital:								
Ordinary shares of HK$1 each	1,000	1,000	1,000	1,000	1,000	1,000	–	–
Ordinary shares of US$1 each	–	–	–	–	–	–	50,000	394,000
Issued and fully paid:								
Ordinary shares at par value								
Opening balance	1,000	1,000	1,000	1,000	1,000	1,000	–	–
Issue of ordinary shares at par	–	–	–	–	–	–	1	8
Closing balance	1,000	1,000	1,000	1,000	1,000	1,000	1	8

At 31 December 2010, 2011 and 2012, share capital represents issued share capital of Royal Asia. Royal Asia had an authorised share capital of HK$1,000,000 divided into 1,000,000 ordinary shares of par value of HK$1 each.

At 30 September 2013, share capital represents issued share capital of the Company. The Company was incorporated in the British Virgin Islands with limited liability on 28 May 2013. As at the date of incorporation, the Company had an authorised share capital of US$50,000 (equivalent to HK$394,000) divided into 50,000 ordinary shares of par value of US$1 each. As at 28 May 2013, the Company issued 1 ordinary share at par value to Mr. Xiao. After the completion of the Reorganisation on 21 August 2013, the Company became the holding company of the Group.

31. RESERVES

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	**Description and purpose**
Statutory reserve	In accordance with the relevant PRC regulations and the articles of association of the group entities in the PRC, 10% of net profits as determined in accordance with PRC GAAP (after offsetting any prior years' losses) shall be appropriated to the statutory reserve account. When the balance of such reserve reaches 50% of the paid-in capital or registered capital of the relevant entities, where appropriate, any further appropriations are optional. The statutory reserve can be utilised to offset prior years' losses or to issue bonus shares or registered capital, where appropriate. However, such statutory surplus reserve must be maintained at a minimum of 25% of the paid-in capital or registered capital of the relevant entities, after such issuance.
Foreign exchange reserve	Net gains arising on retranslating the net assets of the foreign operations into presentation currency.
Retained earnings/ (accumulated losses)	Cumulative net gains and losses recognised in profit or loss.

The details of the reserve of the Royal Asia for each of the years ended 31 December 2010, 2011 and 2012 and the reserve of the Company for nine months ended 30 September 2013 are as follows:

	Foreign exchange reserve	Retained earnings/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*
Royal Asia			
At 1 January 2010	965	7,766	8,731
Loss for the year	–	(23)	(23)
Total comprehensive income for the year	–	(23)	(23)
At 31 December 2010	965	7,743	8,708
Profit for the year	–	1,652	1,652
Total comprehensive income for the year	–	1,652	1,652
At 31 December 2011	965	9,395	10,360
Loss for the year	–	(72)	(72)
Total comprehensive income for the year	–	(72)	(72)
At 31 December 2012	965	9,323	10,288
Company			
At 1 January 2013	–	–	–
Loss for the period	–	(16)	(16)
Total comprehensive income for the period	–	(16)	(16)
At 30 September 2013	–	(16)	(16)

32. NON-CONTROLLING INTERESTS

The following table lists out the information relating to Zhuhai Hoston and Guangdong Hengjia, the subsidiaries of the Group which has material non-controlling interests (the "NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination:

	At 31 December 2012		At 30 September 2013	
	Zhuhai Hoston	Guangdong Hengjia	Zhuhai Hoston	Guangdong Hengjia
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NCI percentage	49.60%	64.7%	5%	33.5%
Current assets	132,057	192,845	121,988	180,479
Non-current assets	79,511	191,047	79,998	180,887
Current liabilities	135,484	285,943	110,838	205,240
Non-current liabilities	191	4,221	239	36,482
Net assets	75,893	93,728	90,909	119,644
Carrying amount of NCI	16,338	60,662	2,388	39,856

	Year ended 31 December 2012		Nine months ended 30 September 2013	
	Zhuhai Hoston	Guangdong Hengjia	Zhuhai Hoston	Guangdong Hengjia
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	–	–	193,630	226,990
Profit for the year/period	–	–	10,871	23,070
Total comprehensive income	–	–	13,095	25,861
Profit allocated to NCI	–	–	4,808	7,005
Dividend paid to NCI	–	–	–	–
Cash flows from operating activities	–	–	(27,813)	(12,276)
Cash flows from investing activities	–	–	1,426	(1,565)
Cash flows from financing activities	–	–	28,775	14,950

On 17 January 2013, the Group increased its 1.4% ownership interest in Zhuhai Hoston through diluting equity interests of NCI effected by capital contribution to Zhuhai Hoston. On 21 March 2013, the Group acquired an additional 43.2% ownership interest in Zhuhai Hoston from NCI. Following these acquisitions, the Group had 95% ownership interests in Zhuhai Hoston. The transaction has been accounted for as an equity transaction with the NCI as follows:

	At 30 September 2013
	HK$'000
Consideration paid for 44.6% ownership interest *(note 41)*	33,396
Net assets attributable to 44.6% ownership interest	47,847
Increase in equity attributable to owners of the Company (included in retained earnings)	14,451

33. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the Relevant Periods, the Group did not enter into any significant transactions with related parties.

(b) Balances with related parties

Group

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from an associate	–	1,674	–	–
Amount due to a director	6,233	6,239	42,488	57,224

Company

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from a subsidiary	–	–	1,124	–
Amounts due from an associate	–	1,674	–	–
	–	1,674	1,124	–
Amounts due to a director	6,233	6,239	42,488	1,000

(c) Compensations to key management personnel

Directors are regarded as the key management personnel of the Group and compensations to whom are disclosed in note 10 to the Financial Information.

34. OPERATING LEASE ARRANGEMENTS

The Group leases certain properties under operating leases. None of these leases includes any contingent rentals. Future minimum rental payable under non-cancellable operating lease are as follows:

Group

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	–	24	–

35. CAPITAL COMMITMENTS

At 31 December 2010 and 2011, 2012 and 30 September 2013, the Group and the Company did not have any capital commitments.

36. DEFINED CONTRIBUTION RETIREMENT BENEFIT SCHEME

The employees of the Group are the members of a defined contribution retirement benefit scheme operated by a local municipal government of the PRC. The Group and the employees are required to make contributions to the scheme at the rates based on certain percentages of the employees' basic salaries in accordance with the relevant regulations in the PRC. The percentage of contribution made ranges from 0.39% to 15% for the nine months ended 30 September 2013. The contributions are recognised in profit or loss as incurred. The only obligation of the Group with respect to the scheme is to make the required contributions. Forfeited contributions are not available to reduce future contributions payable by the Group.

37. CAPITAL RISK MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern. The capital structure of the Group consists of debts, which includes the bank borrowings (note 26), bank balances and cash (note 24) and equity attributable to owners of the Company, comprising paid-in capital (note 30), reserves (note 31) and retained earnings as disclosed in the statements of changes in equity respectively.

The Group's capital structure is regularly reviewed and managed with regard to the capital management practices. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group.

The gearing ratio at the end of each of the Relevant Periods was as follows:

	Company		**Group**	
				As at 30
	As at 31 December			**September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	–	–	66,263	111,542
Cash and bank balances *(note 24)*	(15)	(15)	(5,311)	(10,767)
Net (assets)/debts	(15)	(15)	60,952	100,775
Equity attributable to owners of the Company	14,669	15,193	132,270	168,939
Net debts to equity ratio	NA	NA	46%	60%

38. FINANCIAL RISK MANAGEMENT

The Group is mainly exposed to credit risk, liquidity risk, interest rate risk and foreign currency risk in its normal course of business. These risks are managed and mitigated by the Group through its conservative financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade receivables and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Individual credit evaluation is performed on all customers requiring credit over a certain amount. The evaluation focuses on the customers' past history of repayments and current ability to pay, and take account of the information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of customers with outstanding balances to the Group. Normally, the Group does not require collateral from customers but requires customers to make deposits before goods delivery.

At 31 December 2010 and 2011, the Company had no concentration of credit risk. At 31 December 2012 and 30 September 2013, the Group had concentration of credit risk of 1% and 1% and 8% and 24% to total trade and notes receivables and other receivables and were due from the Group's largest customer and the five largest customers respectively.

The Group's exposure to credit risk arising from trade and notes receivables and other receivables are set out in notes 22 and 23 to the Financial Information.

The Group does not provide any significant guarantees which would expose it to credit risk.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure sufficient reserves of cash and adequate committed lines of funding from major financial institutions in the short term.

The following table details the remaining contractual maturities at the end of each of the Relevant Periods in respect of its non-derivative financial liabilities which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

Group and Company

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2010			
Other payables, deposits received and accruals	48	48	48
Amount due to a related party	6,233	6,233	6,233
	6,281	6,281	6,281

Group and Company

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2011			
Other payables, deposits received and accruals	64	64	64
Amount due to a related party	6,239	6,239	6,239
	6,303	6,303	6,303

Group

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2012			
Trade and notes payables	119,870	119,870	119,870
Other payables, deposits received and accruals	178,723	178,723	178,723
Amount due to a related party	42,488	42,488	42,488
Short term bank borrowings	66,263	67,848	67,848
	407,344	408,929	408,929

Company

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2012			
Other payables, deposits received and accruals	51	51	51
Amount due to a related party	42,488	42,488	42,488
	42,539	42,539	42,539

Group

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 September 2013					
Trade and notes payables	138,754	138,754	138,754	–	–
Other payables, deposits received and accruals	48,970	48,970	48,970	–	–
Amount due to a related party	57,224	57,224	57,224	–	–
Short term bank borrowings	78,769	80,971	80,971	–	–
Long term bank borrowings	32,773	39,017	3,039	3,039	32,939
	356,490	364,936	328,958	3,039	32,939

Company

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*
At 30 September 2013			
Other payables, deposits received and accruals	16	16	16
Amount due to a related party	1,000	1,000	1,000
	1,016	1,016	1,016

(c) Interest rate risk

The Group is exposed to interest rate risk due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly bank deposits, which are mostly short-term in nature whereas interest-bearing financial liabilities are primarily bank borrowings (note 26). The Group's fair value interest-rate risk mainly relates to fixed-rate bank borrowings (note 26). The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation on the rate determined by the People's Bank of China arising from the Group's bank borrowings denominated in RMB.

The Group has not used any derivative financial instruments to hedge potential fluctuations in interest rates. However, management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

Sensitivity analysis

It is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after income tax for the years ended 31 December 2012 and for the nine months ended 30 September 2013 and the retained earnings for the respective year/period then ended by approximately HK$167,000 and HK$188,000.

The sensitivity analysis above has been determined based on the exposure to interest rates for bank borrowings at 31 December 2012 and 30 September 2013 arranged at floating market interest rate. The analysis is prepared by assuming the amount of liabilities outstanding at the end of the year/period was outstanding for the whole year/period. A 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year/period until the next annual reporting date.

(d) Foreign currency risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amount of the financial assets and financial liabilities at the end of the Relevant Periods are categorised as follows:

Group

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and bank balances)	8,227	9,901	186,355	223,447
Financial liabilities				
Financial liabilities measured at amortised cost	6,281	6,303	364,396	356,490

Company

	As at 31 December			As at 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including bank balances and cash)	8,227	9,901	1,170	–
Financial liabilities				
Financial liabilities measured at amortised cost	6,281	6,303	42,539	1,016

The directors of the Company consider that the carrying amount of financial assets and financial liabilities in the Financial Information approximate their fair values at the end of each of the Relevant Periods.

40. BUSINESS COMBINATIONS

On 31 December 2012, the Group held additional 25.4% equity interest in a former associate, Zhuhai Hoston through further capital injection of RMB18,434,000 (approximately HK$23,000,000) to Zhuhai Hoston. The transaction resulted in Zhuahi Hoston ceasing to be an associate and becoming a subsidiary of the Group. At the same date, Zhuhai Hoston held 70% equity interest of Guangdong Hengjia. The directors of the Group considered the acquisition should extend its involvement in the operation of building and construction business in the PRC. Goodwill arsing from the acquisition of Zhuhai Hoston is because of the expected synergies and future market development.

Before the acquisition of Zhuhai Hoston by the Group at 31 December 2012, Royal Asia held 25% equity interest of Zhuhai Hoston as interest in an associate. Therefore, the acquisition is accounted for as a business combination achieved in stages. Accordingly, the Company re-measures its previously held equity interest in Zhuhai Hoston at its acquisition-date fair value according to HKFRS 3 "Business combinations". The fair value of the previously held equity interest in Zhuhai Hoston with approximately amounting to HK$128,805,000 at 31 December 2012 has been arrived on the basis of a valuation carried out by Peak Vision Appraisals Limited and discounted cash flow model is adopted for the valuation.

The NCI arisen from the acquisition is measured at the proportionate share of the registered capital in the recognised amounts of identifiable net assets of Zhuhai Hoston Group at the date of acquisition.

Since the acquisition, Zhuhai Hoston Group contributed nil and HK$404,590,000 to the Group's revenue and a profit of nil and HK$33,652,000 for the year ended 31 December 2012 and nine months ended 30 September 2013 respectively. Had the acquisition taken place at the beginning of the year ended 31 December 2012, the revenue and the profit of the Group for the year ended 31 December 2012 would have been HK$255,794,000 and HK$151,005,000 respectively. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future performance.

There was no material acquisition-related cost incurred in relation to the acquisition.

The following table summarises the consideration paid, amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	Note	*HK$'000*
Fair value of consideration transferred		
Cash		23,000
Fair value of equity interest in Zhuhai Hoston held before the business combination		128,805
Total consideration		151,805
Recognised amounts of identifiable assets acquired and liabilities assumed		
Property, plant and equipment	*15*	189,830
Payments for leasehold land held for own use under operating leases		35,527
Intangible assets	*19*	168
Deferred income tax assets	*27*	2,081
Inventories		85,579
Trade and other receivables		235,152
Cash and cash equivalents		4,047
Pledged bank deposits		125
Trade and other payables		(345,582)
Bank borrowings		(66,263)
Deferred income tax liabilities	*27*	(4,412)
Income tax payables		(9,582)
NCI		(77,000)
Total identifiable net assets		49,670
Goodwill	*17*	102,135
Cash outflows for the acquisition		
Consideration paid		23,000
Less: cash acquired		(4,047)
Net cash outflows for the acquisition		18,953

The gross contractual amounts of the above acquired receivables, including trade and other receivables equal their carrying amounts and approximates to their fair values as stated above.

41. MAJOR NON CASH TRANSACTIONS

For the nine months ended 30 September 2013, consideration of HK$8,396,000 regarding to the acquisition of additional equity interest in Zhuhai Hosoton (note 32) was settled through the current account maintained with NCI.

As disclosed under financing activities of the statement of cash flow for the nine months ended 30 September 2013, part of the decrease in amounts due to related parties of a subsidiary amounting to approximately HK$76,785,000 was satisfied through transferring the equivalent amount of trade receivables to a related party of a subsidiary.

42. SUBSEQUENT EVENT

There is no material subsequent event after 30 September 2013.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial Information has been prepared for the Company in respect of any period subsequent to 30 September 2013.

(ii) ACCOUNTANT'S REPORT OF ZHUHAI HOSTON

The following is the text of a report on Zhuhai Hoston received from the Company's reporting accountant, BDO Limited, for the purpose of incorporation in this circular.

BDO

Tel: +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

31 March 2014

The Board of Directors
Sunway International Holdings Limited
Room 1708–1710 Nan Fung Centre
264–298 Castle Peak Road
Tsuen Wan
Hong Kong

Dear Sirs,

We set out below our report on the financial information regarding Zhuhai Hoston Special Materials Co., Ltd. (the "Company") and its subsidiary, Guangdong Hengjia Construction Materials Co., Ltd. ("Guangdong Hengjia"), which has been acquired by the Company on 23 November 2012 (collectively referred to as the "Group") which comprises the statements of financial position of the Company as at 31 December 2010, 2011, 2012 and 30 September 2013 and the consolidated statements of financial position of the Group as at 31 December 2012 and 30 September 2013, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows of the Company for each of the years ended 31 December 2010 and 2011 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the year ended 31 December 2012 and the nine months ended 30 September 2013 and a summary of significant accounting policies and other explanatory notes (the "Financial Information"), prepared on the basis set out in note 2 of Section B below, for inclusion in the circular of Sunway International Holdings Limited ("Sunway") dated 31 March 2014 (the "Circular") in connection with the proposed acquisition of the Group by Sunway (the "Acquisition").

The Company was established as a limited liability company in the People's Republic of China (the "PRC") on 26 October 1995. The principal activities of the Company are manufacture and sale of pre-stressed ("PC") steel bars, steel strand wires, various pre-stressed materials and their respective production equipment, and industrial and building pre-stressed materials. The principal activities of the subsidiary of the Company are set out in note 18 to the Financial Information.

As at the date of this report, the Company has 70% direct equity interests in its subsidiary. The statutory individual financial statements of the Company and its subsidiary for the years ended 31 December 2010, 2011 and 2012 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by certified public accountants registered in the PRC. No statutory audited financial statements have been prepared for these entities in respect of any period subsequent to 31 December 2012. The statutory individual financial statements of the Company for the years ended 31 December 2010, 2011 and 2012 were audited by Reanda Certified Public Accountant Co., Ltd. 利安達會計師事務所有限責任公司 (the "Reanda"). The statutory individual financial statements of the subsidiary of the Company for the years ended 31 December 2010 and 2011 were audited by 陽江市啟陽會計師事務所 Yangjiang Qiyang CPA Co., Ltd. while the statutory individual financial statements of the subsidiary of the Company for the years ended 31 December 2012 were audited by Reanda.

For the purpose of this report, the directors of the Company have prepared financial statement of the Company for each of the years ended 31 December 2010 and 2011 and the consolidated financial statements of the Group for the year ended 31 December 2012 and for the nine months ended 30 September 2013 (the "Underlying Financial Statements"), in accordance with the basis of preparation set out in note 2 of Section B below and accounting policies set out in note 4 of Section B below which conform with Hong Kong Financial Reporting Standards ("HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustment made thereon.

The directors of the Company are responsible for the contents of the Circular including the preparation and true and fair view presentation of the Financial Information in accordance with the basis of preparation set out in note 2 of Section B below and the accounting policies set out in note 4 of Section B below, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures and to report our opinion to you.

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

This report is made solely to you, as a body, in accordance with our agreed terms of 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.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis set out in note 2 of Section B below and the accounting policies set out in note 4 of Section B below, gives a true and fair view of the state of affairs of the Company as at 31 December 2010 and 2011, 2012 and 30 September 2013 and the consolidated state of affairs of the Group as at 31 December 2012 and 30 September 2013, of the results and cash flows of the Company for each of the years ended 31 December 2010 and 2011 and of the consolidated results and cash flows of the Group for the year ended 31 December 2012 and for the nine months ended 30 September 2013.

A. FINANCIAL INFORMATION

1. STATEMENTS OF COMPREHENSIVE INCOME

		Company		Group	
		Years ended 31 December		Year ended 31 December	Nine months ended 30 September
		2010	2011	2012	2013
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*7*	233,895	288,121	255,794	404,590
Cost of sales		(224,301)	(276,928)	(232,793)	(345,974)
Gross profit		9,594	11,193	23,001	58,616
Other income	*8*	712	717	3,457	8,094
Other gains and losses	*8*	(2,203)	549	22,986	6,868
Distribution costs		(3,240)	(3,297)	(4,721)	(10,372)
Administrative expenses		(4,304)	(5,214)	(4,125)	(10,630)
Finance costs	*9*	(2,611)	(3,232)	(6,108)	(6,611)
Profit/(loss) before income tax credit/(expense)	*11*	(2,052)	716	34,490	45,965
Income tax credit/(expense)	*12*	490	(288)	(3,465)	(11,487)
Profit/(loss) for the year/period		(1,562)	428	31,025	34,478
Other comprehensive income, which may be reclassified subsequently to profit or loss, net of tax					
Exchange differences on translating foreign operations		1,832	1,759	(264)	3,849
Total comprehensive income for the year/period		270	2,187	30,761	38,327
Profit/(loss) for the year/period attributable to:					
Owners of the Company		(1,562)	428	29,764	27,545
Non-controlling interests		–	–	1,261	6,933
		(1,562)	428	31,025	34,478
Total comprehensive income for the period/year attributable to					
Owners of the Company		270	2,187	29,635	30,552
Non-controlling interests		–	–	1,126	7,775
		270	2,187	30,761	38,327
Earnings/(loss) per share					
Basic and diluted (HK cents)	*14*	(4.34)	1.19	82.56	49.23

2. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December 2012 HK$'000	At 30 September 2013 HK$'000
Non-current assets			
Property, plant and equipment	15	193,189	183,711
Payments for leasehold land held for own use under operating leases	16	32,997	33,268
Intangible assets	17	168	138
Deferred income tax assets	25	2,386	458
Total non-current assets		228,740	217,575
Current assets			
Inventories	19	84,358	35,094
Trade and notes receivables	20	167,958	167,734
Other receivables, deposits and prepayments	21	33,791	87,649
Amounts due from related parties	26	7,608	–
Pledged bank deposits	22	125	2,878
Cash and cash equivalents	22	4,047	7,705
Total current assets		297,887	301,060
Total assets		526,627	518,635
Current liabilities			
Trade payables and notes payables	23	119,870	138,754
Other payables, deposits received and accruals	23	191,387	90,941
Bank borrowings	24	66,263	78,769
Dividend payable		1,657	–
Amounts due to related parties	26	6,874	1,785
Income tax payable		9,582	4,811
Total current liabilities		395,633	315,060
Net current liabilities		(97,746)	(14,000)
Total assets less current liabilities		130,994	203,575
Non-current liabilities			
Bank borrowings	24	–	32,773
Deferred income tax liabilities	25	4,614	4,125
Total non-current liabilities		4,614	36,898
Total liabilities		400,247	351,958
NET ASSETS		126,380	166,677

2. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – Continued

	Notes	**At 31 December 2012** *HK$'000*	**At 30 September 2013** *HK$'000*
Capital and reserves			
Share capital	*27*	56,539	58,469
Capital reserve	*29*	–	40
Statutory reserve	*29*	4,698	7,466
Foreign exchange reserve	*29*	11,483	14,490
Retained earnings	*29*	25,164	49,941
Equity attributable to owners of the Company		97,884	130,406
Non-controlling interests	*30*	28,496	36,271
TOTAL EQUITY		126,380	166,677

3. STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
		2010	2011	2012	2013
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*15*	29,739	28,624	29,268	29,499
Payments for leasehold land held for own use under operating leases	*16*	5,344	5,341	5,168	5,153
Interest in a subsidiary	*18*	–	–	42,952	44,118
Deferred income tax assets	*25*	1,363	2,010	1,360	323
Total non-current assets		36,446	35,975	78,748	79,093
Current assets					
Inventories	*19*	53,854	69,146	53,981	12,514
Trade and notes receivables	*20*	16,051	20,663	31,397	81,913
Other receivables, deposits and prepayments	*21*	27,252	36,125	9,936	20,225
Amounts due from related parties	*26*	11,185	13,699	33,402	–
Pledged bank deposits	*22*	4,950	5,155	125	1,618
Cash and cash equivalents	*22*	2,514	4,119	3,217	5,717
Total current assets		115,806	148,907	132,058	121,987
Total assets		152,252	184,882	210,806	201,080
Current liabilities					
Trade payables and notes payables	*23*	34,899	53,864	30,918	10,728
Other payables, deposits received and accruals	*23*	32,166	14,442	52,966	27,073
Bank borrowings	*24*	34,992	63,652	41,412	69,630
Dividend payable		235	6,835	1,657	–
Amounts due to related parties	*26*	–	–	6,874	2,805
Income tax payable		26	462	1,657	602
Total current liabilities		102,318	139,255	135,484	110,838
Net current assets/(liabilities)		13,488	9,652	(3,426)	11,149
Total assets less current liabilities		49,934	45,627	75,322	90,242
NET ASSETS		49,934	45,627	75,322	90,242

3. STATEMENTS OF FINANCIAL POSITION – Continued

		At 31 December			At 30 September
		2010	2011	2012	2013
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves attributable to owners of the Company					
Share capital	27	33,917	33,917	56,539	58,469
Capital reserve	29	–	–	–	40
Statutory reserve	29	3,972	4,015	4,698	6,125
Foreign exchange reserve	29	9,853	11,612	11,858	14,063
Retained earnings/(accumulated losses)	29	2,192	(3,917)	2,227	11,545
TOTAL EQUITY		49,934	45,627	75,322	90,242

4. STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Capital reserve *HK$'000*	Statutory reserve *HK$'000*	Foreign exchange reserve *HK$'000*	Retained earnings/ (accumulated losses) *HK$'000*	Equity attributable to owners of the Company *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
Company								
At 1 January 2010	33,917	–	3,972	8,021	3,754	49,664	–	49,664
Loss for the year	–	–	–	–	(1,562)	(1,562)	–	(1,562)
Exchange differences on translating foreign operations	–	–	–	1,832	–	1,832	–	1,832
Total comprehensive income for the year	–	–	–	1,832	(1,562)	270	–	270
At 31 December 2010	33,917	–	3,972	9,853	2,192	49,934	–	49,934
Profit for the year	–	–	–	–	428	428	–	428
Exchange differences on translating foreign operations	–	–	–	1,759	–	1,759	–	1,759
Total comprehensive income for the year	–	–	–	1,759	428	2,187	–	2,187
Dividends paid in respect of the previous years *(note 28)*	–	–	–	–	(6,494)	(6,494)	–	(6,494)
Transfer of reserve	–	–	43	–	(43)	–	–	–
At 31 December 2011	33,917	–	4,015	11,612	(3,917)	45,627	–	45,627
Group								
At 1 January 2012	33,917	–	4,015	11,612	(3,917)	45,627	–	45,627
Profit for the year	–	–	–	–	29,764	29,764	1,261	31,025
Exchange differences on translating foreign operations	–	–	–	(129)	–	(129)	(135)	(264)
Total comprehensive income for the year	–	–	–	(129)	29,764	29,635	1,126	30,761
Acquisition of a subsidiary *(note 38)*	–	–	–	–	–	–	27,370	27,370
Issue of shares *(note 27)*	22,622	–	–	–	–	22,622	–	22,622
Transfer of reserve	–	–	683	–	(683)	–	–	–
At 31 December 2012	56,539	–	4,698	11,483	25,164	97,884	28,496	126,380
Profit for the period	–	–	–	–	27,545	27,545	6,933	34,478
Exchange differences on translating foreign operations	–	–	–	3,007	–	3,007	842	3,849

4. STATEMENTS OF CHANGES IN EQUITY – Continued

	Share capital HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Foreign exchange reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Total comprehensive income for the period	–	–	–	3,007	27,545	30,552	7,775	38,327
Issue of shares *(note 27)*	1,930	40	–	–	–	1,970	–	1,970
Transfer of reserve	–	–	2,768	–	(2,768)	–	–	–
At 30 September 2013	58,469	40	7,466	14,490	49,941	130,406	36,271	166,677

5. STATEMENTS OF CASH FLOWS

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities				
Profit/(loss) before income tax credit/(expense)	(2,052)	716	34,490	45,965
Adjustments for:				
Interest expense	2,611	3,232	6,108	6,611
Reimbursement of interest expense	–	–	(1,363)	(835)
Depreciation of property, plant and equipment	3,452	2,868	3,816	17,250
Amortisation of payments for leasehold land held for own use under operating leases	189	198	251	588
Amortisation of intangible assets	–	–	4	34
Recovery of previously written off inventories	–	–	–	(934)
Recovery of previously written off trade receivables	–	–	–	(1,845)
Provision for/(reversal of) impairment loss of inventories	518	2,877	177	(3,727)
Provision for/(reversal of) impairment loss of trade receivables	1,414	538	(2,678)	(549)
Provision for/(reversal of) impairment loss of other receivables	780	(1,100)	(180)	–
Gain on bargain purchase *(note 38)*	–	–	(20,911)	–
Gain on disposal of property, plant and equipment	–	–	–	(4,089)

5. STATEMENTS OF CASH FLOWS – Continued

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Operating profit before working capital changes	6,912	9,329	19,714	58,469
(Increase)/decrease in trade and other receivables	(5,831)	(11,347)	6,277	(3,400)
(Increase)/decrease in inventories	(5,721)	(15,978)	8,401	55,663
Increase/(decrease) in trade and other payables	13,338	(3,088)	(16,567)	(8,539)
Cash generated from/(used in) operations	8,698	(21,084)	17,825	102,193
Interest paid	(2,611)	(3,232)	(6,108)	(6,611)
Income tax paid	(263)	(447)	(498)	(15,097)
Net cash generated from/(used in) operating activities	5,824	(24,763)	11,219	80,485
Cash flows from investing activities				
Payments to acquire property, plant and equipment	(1,701)	(685)	(5,748)	(4,592)
Proceeds from disposal of property, plant and equipment	–	–	–	5,995
(Increase)/decrease in pledged bank deposits	(1,189)	(21)	5,059	(2,721)
Increase in amount due from related parties of a subsidiary	–	–	–	(1,340)
Cash advance to a supplier	–	–	–	(31,945)
Acquisition of a subsidiary, net of cash acquired *(note 38)*	–	–	(13,541)	–
Net cash used in investing activities	(2,890)	(706)	(14,230)	(34,603)
Cash flows from financing activities				
Proceeds from bank and other borrowings	53,454	102,603	158,074	196,914
Increase/(decrease) in amount due to related parties of a subsidiary	–	–	17,982	(98,009)
Repayments of bank borrowings	(57,723)	(75,644)	(192,015)	(141,565)
Proceeds from issue of shares	–	–	22,622	1,970
Dividend paid	–	–	(3,719)	(1,683)
Net cash generated from/(used in) financing activities	(4,269)	26,959	2,944	(42,373)
Net increase/(decrease) in cash and cash equivalents	(1,335)	1,490	(67)	3,509
Cash and cash equivalents at the beginning of the year/period	3,744	2,514	4,119	4,047
Effect of foreign exchange rate changes	105	115	(5)	149
Cash and cash equivalents at end of the year/period	2,514	4,119	4,047	7,705

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was established in the PRC on 26 October 1995 with limited liability. The principal activities are manufacture and sale of PC bar, steel stand wires, various pre-stressed materials and their respective production equipment, and industrial and building pre-stressed materials. The address of registered office and principal place of business of the Company is Xin Qing Technology and Industrial Pank, National Hi-tech Industrial Development Zone, Doumen District Zhuhai City, Guangdong Province.

On 16 November 2012, the Company entered into a sale and purchase agreement with certain individuals to acquire 70% equity interests in Guangdong Hengjia for a consideration of RMB35,000,000 (approximately HK$42,952,000). The transaction was completed on 23 November 2012 and by then Guangdong Hengjia becomes a subsidiary of the Company. The principal activities of Guangdong Hengjia are manufacturing and trading of prestressed high-strength concrete piles ("PHC piles"), ready-mixed concrete, sand lime bricks, aerated concrete products and eco-permeable concrete products. Details of the acquisition are disclosed in note 38 to the Financial Information.

The directors consider the parent and ultimate parent of the Group as at 31 December 2010 and 2011 is Zhuhai Xin Feng Development Co., Ltd., which is incorporated in the PRC and is controlled by Mr. Wang Zhi Ning, a director of the Company. As at 31 December 2012, the directors consider the parent and ultimate parent of the Group is Royal Asia International Limited ("Royal Asia") which is incorporated in Hong Kong. As at 30 September 2013, the directors consider the parent and ultimate parent of the Group are Royal Asia and Joint Expert Global Limited, a company incorporated in the British Virgin Islands respectively.

The Financial Information has been approved for issue by the board of directors on 31 March 2014.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information has been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Financial Information includes applicable disclosures required by the Listing Rules.

All HKFRSs effective for the accounting periods commencing from 1 January 2013 and relevant to the Group, have been adopted by the Group in the preparation of the Financial Information consistently throughout the year ended 31 December 2010, 2011, 2012 and nine month ended 30 September 2013 (the "Relevant Periods") to the extent required or allowed by the transitional provisions in HKFRSs.

(b) Basis of measurement

The Financial Information has been prepared under the historical cost convention.

Accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 5.

(c) Basis of preparation of the Financial Information

The financial statements for the years ended 31 December 2010 and 2011 represent the financial statements of the Company. The financial statements for the year ended 31 December 2012 and nine months ended 30 September 2013 represent the consolidated financial statements of the Company and its subsidiary. There are no comparatives to the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the nine months ended 30 September 2013 as Guangdong Hengjia, the sole subsidiary of the Company, was acquired after 30 September 2012.

(d) Functional and presentation currency

The functional currency of the Company is Renminbi ("RMB") while the Financial Information is presented in Hong Kong dollars ("HK$"), and all values are rounded to the nearest thousand, unless otherwise stated.

3. POTENTIAL IMPACT ARISING ON THE NEW HKFRSs NOT YET EFFECTIVE

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[1]
HK(IFRIC) Interpretation 21	Levies[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets[1]
HKFRS 9	Financial Instruments
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]

1 Effective for annual periods beginning on or after 1 January 2014

HKAS 32 – Offsetting Financial Assets and Financial Liabilities

HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the HKAS 32 offsetting systems (such as central clear house system which apply gross settlement mechanism that are not simultaneous).

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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 – Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements. To qualify as an investment entity, a reporting entity is required to:

– obtain funds from one or more investors for the purpose of providing them with professional investment management services;

– commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

– measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities. The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

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.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation and subsidiary

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 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.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiary. Control is achieved when the Company:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

In the Company's statements 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.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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 interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(b) Property, plant and equipment

Property, plant and equipment, other than construction-in-progress, is stated at cost less accumulated depreciation and any impairment losses.

The cost of property, plant and equipment comprises its purchase price and costs directly attributable to the acquisition of the item.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial year/period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their costs of over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives are as follows:

Building	20–30 years
Plant and machinery	5–15 years
Office equipment	3–5 years
Motor vehicles	5–10 years

Construction in progress represents property, plant and equipment under construction and is stated at cost less any impairment losses. Cost comprises direct costs of construction as well as capitalised borrowing costs during the period of construction and installation. Capitalisation of these costs ceases when substantially all the activities necessary to prepare the asset for its intended use are completed. Construction in progress is transferred to appropriate class of property, plant and equipment when it is completed and ready for its intended use and depreciated in accordance with the accounting policy of depreciation.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in profit or loss.

(c) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied land parcels. These payments are stated at cost are amortised over the period of the lease on a straight-line basis an expense.

(d) Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in profit or loss. The useful life of the intangible assets is estimated to be 3–5 years.

(e) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, interests in leasehold land held for own use under operating leases, intangible assets and interest in a subsidiary held by the Company 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 reduced.

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.

(f) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted-average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(g) Financial instruments

(i) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. The Group has one category of financial assets being loans and receivables.

Trade and note receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

An impairment loss is reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Financial liabilities

The Group has one category of financial liabilities being financial liabilities at amortised cost. These liabilities, including trade and other payables, are initially recognised at fair value, net of directly attributable costs incurred. Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) *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 Periods. 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.

(iv) *Equity instruments*

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

(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.

(h) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(i) **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 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.

(j) **Operating leases**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of lease.

(k) **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they intended to compensate, on a systematic basis. Government grants that are receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(l) Income taxes

Income taxes for the year/period 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 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 investment in subsidiaries, associates and jointly controlled entities, except where the Company 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.

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 directly recognised in other comprehensive income.

(m) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (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.

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.

(n) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution retirement benefit scheme

The Group pays contributions to defined contribution plans, being publicly administered pension insurance plans on mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts and exclude value added tax.

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Interest income is recognised on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

(p) Related parties

(a) A person or a close member of that person's family is related to the Company 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 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 Company 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

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 the that period and future periods.

The key sources of estimation uncertainty are discussed below:

Impairment of property, plant and equipment

The Group tests annually whether property, plant and equipment have suffered any impairment. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation in future periods.

Impairment of trade and other receivables

Recoverability of trade and other receivables is reviewed by management based on the receivables' aging characteristics, management evaluation of the current creditworthiness and past collection history of each customer. Judgment is required in assessing the ultimate realisation of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

Write down of inventories to net realisable value

Write down of inventories to net realisable value is made by reference to the aging and estimated net realisable value of inventories. The assessment of the write-down amount involves management's judgments and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the inventories and the write-down charge/reversal in the period in which such estimate has been changed.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

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

– PC Bar – sales and manufacturing of steel bar for PC bar, steel stand wires, various pre-stressed materials and their respective production equipment, and industrial and building pre-stressed materials.

– PHC piles and other – sales and manufacturing of PHC piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products

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

(a) Business Segments

For the year ended 31 December 2010

	PC bar *HK$'000*	Company PHC piles and other *HK$'000*	Total *HK$'000*
Revenue from external customers	233,895	–	233,895
Inter-segment revenue	–	–	–
Reportable segment revenue	233,895	–	233,895
Reportable segment profit	2,050	–	2,050
Interest expense	(2,611)	–	(2,611)
Depreciation and amortisation	(3,641)	–	(3,641)
Provision for impairment loss of trade receivables	(1,414)	–	(1,414)
Provision for impairment loss of other receivables	(780)	–	(780)
Provision for impairment loss of inventories	(518)	–	(518)
Income tax credit	490	–	490
Reportable segment assets	150,889	–	150,889
Additions to non-current assets	1,701	–	1,701
Reportable segment liabilities	102,292	–	102,292

For the year ended 31 December 2011

	PC bar *HK$'000*	Company PHC piles and other *HK$'000*	Total *HK$'000*
Revenue from external customers	288,121	–	288,121
Inter-segment revenue	–	–	–
Reportable segment revenue	288,121	–	288,121
Reportable segment profit	2,682	–	2,682
Interest expense	(3,232)	–	(3,232)
Depreciation and amortisation	(3,066)	–	(3,066)
Provision for impairment loss of trade receivables	(538)	–	(538)
Reversal of impairment loss of other receivables	1,100	–	1,100
Provision for impairment loss of inventories	(2,877)	–	(2,877)
Income tax expense	(288)	–	(288)
Reportable segment assets	182,872	–	182,872
Additions to non-current assets	685	–	685
Reportable segment liabilities	138,793	–	138,793

For the year ended 31 December 2012

	PC bar	Group PHC piles and other	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers	216,875	38,919	255,794
Inter-segment revenue	9,271	–	9,271
Reportable segment revenue	226,146	38,919	265,065
Reportable segment profit	9,429	5,927	15,356
Reimbursement of interest expense	1,363	–	1,363
Interest expense	(5,794)	(314)	(6,108)
Depreciation and amortisation	(2,460)	(1,611)	(4,071)
Reversal of impairment loss of trade receivables	2,678	–	2,678
Reversal of impairment loss of other receivables	180	–	180
Provision for impairment loss of inventories	(177)	–	(177)
Income tax expense	(2,054)	(1,411)	(3,465)
Reportable segment assets	166,187	383,848	550,035
Additions to non-current assets	2,749	2,999	5,748
Reportable segment liabilities	133,827	278,018	411,845

For the nine months ended 30 September 2013

	PC bar	Group PHC piles and other	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers	177,600	226,990	404,590
Inter-segment revenue	16,030	–	16,030
Reportable segment revenue	193,630	226,990	420,620
Reportable segment profit	9,189	29,260	38,449
Reimbursement of interest expense	835	–	835
Interest expense	(3,764)	(2,847)	(6,611)
Depreciation and amortisation	(1,824)	(16,048)	(17,872)
Recovery of previously written off inventories	–	934	934
Recovery of previously written off trade receivables	–	1,845	1,845
Reversal of impairment loss of trade receivables	549	–	549
Reversal of impairment loss of inventories	3,727	–	3,727
Income tax expense	(3,530)	(7,957)	(11,487)
Reportable segment assets	156,639	362,558	519,197
Additions to non-current assets	3,028	1,564	4,592
Reportable segment liabilities	110,236	233,806	344,042

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

	Company		Group	
	Years ended 31 December		**Year ended 31 December**	**Nine months ended 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Reportable segment revenue	233,895	288,121	265,065	420,620
Elimination of inter-segment revenue	–	–	(9,271)	(16,030)
From external customers revenue	233,895	288,121	255,794	404,590

	Company		Group	
	Years ended 31 December		**Year ended 31 December**	**Nine months ended 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) before income tax credit/(expense)				
Reportable segment profit	2,050	2,682	15,356	38,449
Elimination of inter-segment profits	–	–	(1,201)	(835)
Other income	712	717	3,457	8,094
Other gains and losses	(2,203)	549	22,986	6,868
Finance costs	(2,611)	(3,232)	(6,108)	(6,611)
Profit/(loss) before income tax credit/(expense)	(2,052)	716	34,490	45,965

	Company		Group	
	Years ended 31 December		**Year ended 31 December**	**Nine months ended 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets				
Reportable segment assets	150,889	182,872	550,035	519,197
Elimination of inter-segment receivables	–	–	(25,794)	(1,020)
Deferred income tax assets	1,363	2,010	2,386	458
Total assets	152,252	184,882	526,627	518,635

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment liabilities				
Reportable segment liabilities	102,292	138,793	411,845	344,042
Elimination of inter-segment payables	–	–	(25,794)	(1,020)
Current tax liabilities	26	462	9,582	4,811
Deferred income tax liabilities	–	–	4,614	4,125
Total liabilities	102,318	139,255	400,247	351,958

(c) Geographical information

The Group's operations and assets are located in the PRC, in which all of its revenue was derived.

(d) Information about major customers

Revenue from customers of PC segment and PHC piles and others segment contributing over 10% of the total turnover of the Group or the Company is as follows:

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Customer A	32,208	41,987	25,849	NA
Customer B	33,100	39,874	34,535	NA
Customer C	NA	29,952	26,713	NA
Customer D	NA	NA	NA	NA
Customer E	NA	NA	36,105	NA
Customer F	NA	NA	NA	NA
	65,308	111,813	123,202	NA
Percentage to total turnover of the Group/the Company	28%	39%	48%	NA

7. TURNOVER

Turnover, which is also the revenue, represents the net invoiced value of goods sold, net of discounts and sales related taxes.

8. OTHER INCOME, GAINS AND LOSSES

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other income				
Government grants *(note)*	668	601	614	37
Compensation from suppliers	–	–	1,427	1,192
Compensation from customers	–	–	–	3,332
Reimbursement of interest expenses	–	–	1,363	835
Others	44	116	53	2,698
	712	717	3,457	8,094
Other gains and losses				
(Provision for)/reversal of impairment loss of trade receivables	(1,414)	(538)	2,678	549
(Provision for)/reversal of impairment loss of other receivables	(780)	1,100	180	–
Recovery of previously written off trade receivables	–	–	–	1,845
Gain on disposal of property, plant and equipment	–	–	–	4,089
Gain on bargain purchase *(note 38)*	–	–	20,911	–
Loss on sales of raw materials	–	–	(761)	–
Other	(9)	(13)	(22)	385
	(2,203)	549	22,986	6,868
Total	(1,491)	1,266	26,443	14,962

Note:

Throughout the Relevant Periods, the Group received grants from the local government in the PRC as the support to the development of the Group. There was no attaching condition to the grant and the Group recognised the grants as income upon receipt.

9. FINANCE COSTS

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest on bank borrowings wholly repayable within five years	2,611	3,232	6,108	6,611

10. REMUNERATION OF DIRECTORS, SUPERVISORS AND EMPLOYEES

(a) Executive directors, independent directors and supervisors' remuneration

Details of the remunerations to the executive directors, independent directors and supervisors of the Group are as follows:

Year ended 31 December 2010

	Fees	**Salaries and allowances**	**Defined contribution retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
– Dai Qing Long	–	–	–	–
– Li Ning	–	168	–	168
– Wang Zhi Ning	–	175	5	180
– Xiao Guang	–	–	–	–
– Yang Cheng Fang	–	168	3	171
– Yang Jian Ru	–	–	–	–
	–	511	8	519
Independent directors				
– Dong An Sheng	–	–	–	–
– Hu Zhen Dong	–	–	–	–
– Yang Xiong	–	–	–	–
	–	–	–	–
Supervisors				
– Meng Fan Jian	–	14	–	14
– Yang Kun	–	–	–	–
– Yue Xiu Ming	–	–	–	–
	–	14	–	14

Year ended 31 December 2011

	Fees	Salaries and allowances	Defined contribution retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
– Dai Qing Long *(note a)*	–	–	–	–
– Li Ning	–	147	–	147
– Li Yang *(note b)*	–	14	–	14
– Wang Tian *(note b)*	–	17	1	18
– Wang Zhi Ning	–	147	5	152
– Xiao Guang	–	–	–	––
– Yang Cheng Fang	–	147	3	150
– Yang Jian Ru	–	–	–	–
	–	472	9	481

	Fees	Salaries and allowances	Defined contribution retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Independent directors				
– Dong An Sheng *(note c)*	–	–	–	–
– Hu Zhen Dong *(note c)*	–	–	–	–
– Yang Xiong *(note c)*	–	–	–	–
	–	–	–	–
Supervisors				
– Huang Rui Yi *(note e)*	–	9	1	10
– Li Wen Yuan *(note e)*	–	17	–	17
– Meng Fan Jian *(note d)*	–	–	–	–
– Wei Zhi Qiang *(note e)*	–	13	–	13
– Yang Kun *(note d)*	–	–	–	–
– Yue Xiu Ming *(note d)*	–	–	–	–
	–	39	1	40

Notes:

(a) Mr. Dai Qing Long resigned on 18 November 2011.

(b) Mr. Li Yang and Mr. Wang Tian were appointed on 18 November 2011.

(c) Mr. Dong An Sheng, Mr. Hu Zhen Dong and Mr. Yang Xiong resigned on 18 November 2011.

(d) Mr. Meng Fan Jian, Ms. Yang Kun and Mr. Yue Xiu Ming resigned on 17 November 2011.

(e) Ms. Huang Rui Yi, Mr. Li Wen Yuan and Mr. Wei Zhi Qiang were appointed on 18 November 2011.

Year ended 31 December 2012

	Fees	**Salaries and allowances**	**Defined contribution retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
– Li Ning	–	–	–	–
– Li Yang	–	124	4	128
– Wang Tian	–	150	8	158
– Wang Zhi Ning	–	–	–	–
– Xiao Guang	–	–	–	–
– Yang Cheng Fang *(note a)*	–	–	–	–
– Yang Jian Ru	–	–	–	–
	–	274	12	286
Supervisors				
– Huang Rui Yi	–	76	4	80
– Li Wen Yuan	–	150	4	154
– Wei Zhi Qiang	–	118	3	121
	–	344	11	355

Notes:

(a) Mr. Yang Cheng Fang resigned on 28 December 2012.

Nine months ended 30 September 2013

	Fees	Salaries and allowances	Defined contribution retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
– Li Ning	–	–	–	–
– Li Yang	–	113	6	119
– Wang Tian	–	94	4	98
– Wang Zhi Ning	–	–	–	–
– Xiao Guang	–	–	–	–
– Yang Jian Ru	–	–	–	–
	–	207	10	217
Supervisors				
– Huang Rui Yi	–	68	4	72
– Li Wen Yuan	–	38	3	41
– Wei Zhi Qiang	–	30	–	30
	–	136	7	143

(b) Five highest paid individuals

Details of the remuneration paid to the five highest paid individuals for the years ended 31 December 2010, 2011, 2012 and for the nine months ended 30 September 2013 included respectively three, four, two and two directors whose remunerations are set out in note (a) above.

Details of remunerations of the remaining highest paid non-director employees whose remunerations are all below HK$1,000,000 during the Relevant Periods and are disclosed as follows:

	Years ended 31 December			Nine months ended 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Salaries and allowances	761	736	644	418
Defined contribution retirement benefit scheme contributions	13	21	24	22
	774	757	668	440

There was no arrangement under which the directors waived or agreed to waive any remuneration during the Relevant Periods. No emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office during the Relevant Periods.

11. PROFIT/(LOSS) BEFORE INCOME TAX CREDIT/(EXPENSE)

Profit/(loss) before income tax credit/(expense) is stated after charging/(crediting) the following:

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Inventories recognised as an expense	223,949	276,555	230,720	344,377
Provision for/(reversal of) impairment loss of inventories	518	2,877	177	(3,727)
Recovery of previously written off inventories	–	–	–	(934)
Auditor's remuneration *(note)*	52	54	56	102
Depreciation of property, plant and equipment *(note 15)*	3,452	2,868	3,816	17,250
Amortisation of intangible assets	–	–	4	34
Amortisation of payments for leasehold land held for own use under operating leases	189	198	251	588
Recovery of previously written off trade receivables	–	–	–	(1,845)
Provision for/(reversal of) impairment loss of trade receivables	1,414	538	(2,678)	(549)
Provision for/(reversal of) impairment loss of other receivables	780	(1,100)	(180)	–
Employee benefit expenses, excluding directors' remuneration *(note 10(a)):*				
– Salaries, bonus and allowances	3,169	3,536	5,469	10,622
– Defined contribution retirement benefit scheme contributions	177	250	245	598

Note: The remunerations from 2010 to 2013 represent the auditor's remuneration for issuing statutory financial statements of the group entities in the PRC.

12. INCOME TAX CREDIT/(EXPENSE)

The provision for PRC Enterprise Income Tax (the "EIT") is calculated based on the estimated taxable income as determined by the PRC Enterprise Income Tax Law at the rate applicable for the Relevant Periods. The applicable tax rate of the Group is 25% throughout the Relevant Periods.

Income tax credit/(expense) in the statements of comprehensive income represents:

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current tax – provision for the year/period	(197)	(876)	(3,308)	(10,129)
Deferred tax – (credit)/charge for the year/period	687	588	(157)	(1,358)
Income tax credit/(expense)	490	(288)	(3,465)	(11,487)

The income tax credit/(expense) for the Relevant Periods can be reconciled to the profit/(loss) before income tax credit/(expense) per the statements of comprehensive income:

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) before income tax credit/(expense)	(2,052)	716	34,490	45,965
Tax calculated at EIT rate of 25%	513	(179)	(8,623)	(11,491)
Tax effect of expenses not deductible for tax purposes	(52)	(109)	(71)	–
Tax effect of income not taxable for tax purposes	29	–	5,229	4
Income tax credit/(expense)	490	(288)	(3,465)	(11,487)

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the year ended 31 December 2012 and nine months ended 30 September 2013, the profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$6,827,000 and HK$10,745,000 respectively.

14. EARNINGS/(LOSS) PER SHARE

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

	Company		Group	
	Years ended 31 December		Year ended 31 December	Nine months ended 30 September
	2010	2011	2012	2013
Profit/(loss) for the year/period attributable to the owners of the Company for the purpose of earnings per share (HK$'000)	(1,562)	428	29,764	27,545
Weighted average number of shares	36,000,000	36,000,000	36,050,366	55,948,371
Basic earnings/(loss) per share (HK cents)	(4.34)	1.19	82.56	49.23

There was no dilutive potential shares in issue during the Relevant Periods, the amount of diluted earnings/(loss) per share is the same as basic earnings/(loss) per share for the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Building	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 January 2012	19,233	45,134	907	4,185	391	69,850
Acquisition through business combination	57,519	90,282	10,706	4,914	–	163,421
Additions	1,947	1,824	280	494	1,203	5,748
Reclassification	–	1,587	–	–	(1,587)	–
Exchange differences	(333)	(336)	(89)	(15)	(7)	(780)
At 31 December 2012	78,366	138,491	11,804	9,578	–	238,239
Additions	128	3,934	516	14	–	4,592
Disposal	–	(19,055)	–	–	–	(19,055)
Exchange differences	2,237	4,208	506	350	–	7,301
At 30 September 2013	80,731	127,578	12,826	9,942	–	231,077
Accumulated depreciation						
At 1 January 2012	9,636	27,187	732	3,671	–	41,226
Charge for the year	892	2,486	308	130	–	3,816
Exchange differences	30	17	(40)	1	–	8
At 31 December 2012	10,558	29,690	1,000	3,802	–	45,050
Charge for the period	2,100	11,638	2,538	974	–	17,250
Disposal	–	(17,149)	–	–	–	(17,149)
Exchange differences	418	1,359	235	203	–	2,215
At 30 September 2013	13,076	25,538	3,773	4,979	–	47,366
Carrying amount						
At 31 December 2012	67,808	108,801	10,804	5,776	–	193,189
At 30 September 2013	67,655	102,040	9,053	4,963	–	183,711

Company	Building	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 January 2010	14,319	30,400	749	3,711	13,396	62,575
Additions	–	5	33	–	1,663	1,701
Reclassification	3,549	11,651	–	–	(15,200)	–
Exchange differences	637	1,462	29	140	141	2,409
At 31 December 2010	18,505	43,518	811	3,851	–	66,685
Additions	42	4	65	189	385	685
Exchange differences	686	1,612	31	145	6	2,480
At 31 December 2011	19,233	45,134	907	4,185	391	69,850
Additions	44	1,502	–	–	1,203	2,749
Reclassification	–	1,587	–	–	(1,587)	–
Exchange differences	104	252	5	23	(7)	377
At 31 December 2012	19,381	48,475	912	4,208	–	72,976
Additions	–	3,018	10	–	–	3,028
Disposal	–	(19,055)	–	–	–	(19,055)
Exchange differences	526	1,142	25	114	–	1,807
At 30 September 2013	19,907	33,580	947	4,322	–	58,756
Accumulated depreciation						
At 1 January 2010	7,520	20,680	631	3,354	–	32,185
Charge for the year	658	2,755	26	13	–	3,452
Exchange differences	302	855	25	127	–	1,309
At 31 December 2010	8,480	24,290	682	3,494	–	36,946
Charge for the year	829	1,967	24	48	–	2,868
Exchange differences	327	930	26	129	–	1,412
At 31 December 2011	9,636	27,187	732	3,671	–	41,226
Charge for the year	731	1,469	23	35	–	2,258
Exchange differences	53	147	4	20	–	224
At 31 December 2012	10,420	28,803	759	3,726	–	43,708
Charge for the period	508	1,127	18	26	–	1,679
Disposal	–	(17,149)	–	–	–	(17,149)
Exchange differences	288	608	21	102	–	1,019
At 30 September 2013	11,216	13,389	798	3,854	–	29,257
Carrying amount						
At 31 December 2010	10,025	19,228	129	357	–	29,739
At 31 December 2011	9,597	17,947	175	514	391	28,624
At 31 December 2012	8,961	19,672	153	482	–	29,268
At 30 September 2013	8,691	20,191	149	468	–	29,499

Note: At the end of each of the Relevant Periods, certain property, plant and equipment were pledged to secure the banking facilities, bank borrowings and bill payables (note 24).

16. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

Group

	At 31 December 2012	At 30 September 2013
	HK$'000	*HK$'000*
Leasehold land outside Hong Kong:		
– medium term lease	32,997	33,268

Company

	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Leasehold land outside Hong Kong:				
– medium term lease	5,344	5,341	5,168	5,153

At the end of each of the Relevant Periods, certain payments for leasehold land held for own use under operating leases were pledged to secure the banking facilities and bank borrowings (note 24).

17. INTANGIBLE ASSETS

Group

	HK$'000
Cost	
At 1 January 2012	–
Acquisition through business combination	173
Exchange differences	(3)
At 31 December 2012	170
Exchange differences	7
At 30 September 2013	177
Accumulated amortisation	
At 1 January 2012	–
Charge for the year	4
Exchange differences	(2)
At 31 December 2012	2
Charge for the period	34
Exchange differences	3
At 30 September 2013	39
Carrying amount	
At 31 December 2012	168
At 30 September 2013	138

18. INTEREST IN A SUBSIDIARY

	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted investment, at cost	–	–	42,952	44,118

On 16 November 2012, the Company entered into a sale and purchase agreement with certain individuals to acquire 70% equity interests in Guangdong Hengjia for a consideration of RMB35,000,000 (approximately HK$42,952,000). The transaction was completed on 23 November 2012 and by then Guangdong Hengjia became a subsidiary of the Company. The principal activities of Guangdong Hengjia is manufacture and sale of PHC piles, ready-mixed concrete, sand lime bricks, aerated concrete products and eco-permeable concrete products. Details of Guangdong Hengjia are as follows:

Name of a subsidiary	Principal place of business and kind of legal entity	Particulars of registered and paid up capital	Interest directly held			
			At 31 December			At 30 September
			2010	2011	2012	2013
Guangdong Hengjia	PRC, limited company	RMB50,000,000	–	–	70%	70%

19. INVENTORIES

Group

	At 31 December 2012	At 30 September 2013
	HK$'000	*HK$'000*
Raw materials	15,078	13,162
Packing materials	488	440
Work in progress	784	714
Finished goods	68,008	20,778
	84,358	35,094

Company

	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	7,962	7,491	1,197	7,098
Packing materials	202	333	488	440
Finished goods	45,690	61,322	52,296	4,976
	53,854	69,146	53,981	12,514

A provision of nil, nil, nil and HK$3,727,000 for the year ended 31 December 2010, 2011, 2012 and for the nine months ended 30 September 2013 made in prior years against the carrying value of finished goods have been reversed. The Company has sold these inventories to customers during the nine months ended 30 September 2013 at original cost. The amount reversed had been included in "cost of sales" in the statement of comprehensive income.

At the end of each of the Relevant Periods, certain inventories were pledged to secure the banking facilities and bank borrowings (note 24).

20. TRADE AND NOTES RECEIVABLES

Group	**At 31 December 2012**	**At 30 September 2013**
	HK$'000	*HK$'000*
Trade receivables	165,965	168,428
Allowance for doubtful debts	(1,584)	(1,072)
	164,381	167,356
Notes receivables *(note b)*	3,577	378
	167,958	167,734

Company	**At 31 December**			**At 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	19,612	24,901	29,404	82,607
Allowance for doubtful debts	(3,561)	(4,238)	(1,584)	(1,072)
	16,051	20,663	27,820	81,535
Notes receivables *(note b)*	–	–	3,577	378
	16,051	20,663	31,397	81,913

Notes:

(a) The Group generally grants credit terms of 30 to 90 days to customers. The aging analysis of trade receivables, net of allowance at the end of each of the Relevant Periods, is as follows:

Group	**At 31 December 2012**	**At 30 September 2013**
	HK$'000	*HK$'000*
Within 1 month	48,859	74,624
Within 2 to 3 months	92,715	15,539
Over 3 months but within 1 year	18,231	76,696
Over 1 year but within 3 years	4,541	372
Over 3 years	35	125
	164,381	167,356

Company		**At 31 December**		**At 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	11,493	7,825	15,876	29,123
Within 2 to 3 months	2,896	687	8,207	11,024
Over 3 months but within 1 year	1,662	12,147	1,044	41,356
Over 1 year but within 3 years	–	4	2,658	32
Over 3 years	–	–	35	–
	16,051	20,663	27,820	81,535

The Group regularly reviews trade receivables for their recoverability. Allowance on trade receivables is recognised based on estimated recoverable amount by reference to objective evidence of impairment (note 4(g)(i)). In determining the recoverability of trade receivables, the Group monitors any change in the credit quality of trade receivables since the credit was granted and up to the reporting date.

(b) As at 31 December 2012 and 30 September 2013, the Group discounted part of its notes receivables with full recourse to financial institutions. In the event of default by the notes receivables, the Group is obliged to pay the financial institutions the amount in default. Interest is charged for the year ended 31 December 2012 and nine months ended 30 September 2013 on the proceeds received from the financial institutions until the date the notes receivables pay. The Group is therefore exposed to the risks of credit losses and late payment in respect of the discounted notes.

The discounting transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted notes receivables. At 31 December 2012 and 30 September 2013, respective note receivables of HK$3,577,000 and HK$378,000 continue to be recognised in the consolidated financial statements even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in borrowings as asset-backed financing (note 24) until the notes receivables are collected or the Group settles any losses suffered by the financial institutions. At 31 December 2012 and 30 September 2013, the asset-backed financing liability amounted to HK$3,577,000 and HK$378,000 respectively.

Because the notes receivables have been transferred to the financial institutions legally, the Group did not have the authority to determine the disposition of the notes receivables.

(c) At 31 December 2010, 2011, 2012 and 30 September 2013, certain trade receivables were pledged to secure banking facilities and bank borrowings (note 24).

The movements in the allowance for doubtful debts during the Relevant Periods, including both individual and collective loss components, are as follows:

Group and Company		**At 31 December**		**At 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	2,032	3,561	4,238	1,584
Provision for/(reversal of) impairment loss of trade receivables	1,414	538	(2,678)	(549)
Exchange differences	115	139	24	37
At the end of the year/period	3,561	4,238	1,584	1,072

Aging analysis of trade receivables that were past due but not impaired are as follows:

Group	**At 31 December 2012** *HK$'000*	**At 30 September 2013** *HK$'000*
Past due:		
– within 3 months	100,261	19,494
– over 3 months but within 1 year	4,090	49,212
– over 1 year	1,883	465
	106,234	69,171

Company	**At 31 December**			**At 30 September**
	2010 *HK$'000*	**2011** *HK$'000*	**2012** *HK$'000*	**2013** *HK$'000*
Past due:				
– within 3 months	117	7,100	2,378	11,060
– over 3 months but within 1 year	94	–	–	17,619
	211	7,100	2,378	28,679

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

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Group	**At 31 December 2012** *HK$'000*	**At 30 September 2013** *HK$'000*
Other receivables *(note a)*	2,229	40,235
Allowance for doubtful debts	(245)	(251)
	1,984	39,984
Deposits and prepayment *(note b)*	31,807	47,665
	33,791	87,649

Company		**At 31 December**		**At 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables *(note a)*	8,007	9,735	1,054	2,970
Allowance for doubtful debts	(1,484)	(422)	(245)	(251)
	6,523	9,313	809	2,719
Deposits and prepayment *(note b)*	20,729	26,812	9,127	17,506
	27,252	36,125	9,936	20,225

Notes:

(a) As at 31 December 2010, 2011 and 2012, other receivables mainly represent advance to managerial staff for business purpose and rental deposits. As at 30 September 2013, other receivables mainly represent advance to major suppliers.

(b) Deposits and prepayments mainly represent payments made to suppliers for the purchase of raw materials, utilities and deposits made to independent guarantee companies which provide financial guarantee to the Group to secure bank borrowings. As at 31 December 2010, 2011, 2012 and 30 September 2013, deposits of the Group with carrying amount of HK$3,130,000 HK$1,936,000, HK$2,229,000 and HK$4,785,000 has been pledged as securities for certain bank borrowings (note 24).

The movements in the allowance for doubtful debts during the Relevant Periods, including both individual and collective loss components, are as follows:

Group and Company		**At 31 December**		**At 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of year/period	657	1,484	422	245
Provision for/(reversal of) impairment loss of other receivables *(note 8)*	780	(1,100)	(180)	–
Exchange differences	47	38	3	6
At the end of year/period	1,484	422	245	251

22. CASH AND BANK BALANCES

Group	**At 31 December 2012**	**At 30 September 2013**
	HK$'000	*HK$'000*
Cash and bank balances	4,172	10,583
Less: pledged bank deposits	125	2,878
Cash and cash equivalents	4,047	7,705

Company		**At 31 December**		**At 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	7,464	9,274	3,342	7,335
Less: pledged bank deposits	4,950	5,155	125	1,618
Cash and cash equivalents	2,514	4,119	3,217	5,717

Pledged bank deposits mainly represent the Group's bank deposits pledged to secure certain banking facilities, bank borrowings (note 24) and note payables (note 23) at the end of each of the Relevant Periods.

As at the end of each of the Relevant Periods, all cash and bank balances of the Company and the Group were placed with banks in the PRC and denominated in RMB which is not a freely convertible currency.

23. TRADE PAYABLES, NOTES PAYABLES AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

Group	**At 31 December 2012**	**At 30 September 2013**
	HK$'000	*HK$'000*
Trade payables	119,870	138,754
Other payables and accruals	175,615	61,289
Deposits received	15,772	29,652
	191,387	90,941
	311,257	229,695

Company		**At 31 December**		**At 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	15,610	37,031	30,918	10,728
Notes payables	19,289	16,833	–	–
	34,899	53,864	30,918	10,728
Other payables and accruals	1,750	2,230	44,996	12,334
Deposits received	30,416	12,212	7,970	14,739
	32,166	14,442	52,966	27,073
	67,065	68,306	83,884	37,801

Generally, the average credit terms received from suppliers of the Group is 30 days. The aging analysis of trade payables, based on invoice dates, at the end of each of the Relevant Periods are as follows:

Group	**At 31 December 2012**	**At 30 September 2013**
	HK$'000	*HK$'000*
Within 1 month	50,370	112,907
Within 2 to 3 months	54,222	3,125
Over 3 months but within 1 year	9,802	20,329
Over 1 year	5,476	2,393
	119,870	138,754

Company	**At 31 December**			**At 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	10,514	15,790	18,497	4,650
Within 2 to 3 months	797	13,057	7,053	901
Over 3 months but within 1 year	160	4,700	1,164	2,784
Over 1 year	4,139	3,484	4,204	2,393
	15,610	37,031	30,918	10,728

24. BANK BORROWINGS

Group	**At 31 December 2012**	**At 30 September 2013**
	HK$'000	*HK$'000*
Current		
Short-term bank borrowings	62,686	78,391
Asset-backed financing *(note d)*	3,577	378
Short-term bank borrowings, secured	66,263	78,769
Non-current		
Long-term bank borrowings, secured	–	32,773

Company	**At 31 December**			**At 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Short-term bank borrowings	34,992	63,652	37,835	69,252
Asset-backed financing *(note d)*	–	–	3,577	378
Short-term bank borrowings, secured	34,992	63,652	41,412	69,630

Notes:

(a) All bank borrowings were denominated in RMB

(b) At 31 December 2012 and 30 September 2013, weighted average effective interest rate of the Group for bank borrowings of 5% and 8% respectively.

At 31 December 2010, 2011, 2012 and 30 September 2013, weighted average effective interest rate of the Company for bank borrowings of 4%, 9%, 8% and 10% respectively.

(c) At 31 December 2010, the Group bank borrowings of HK$31,991,000 were guaranteed by Zhuhai Small & Medium Enterprises Financing Guarantee Co., Ltd. It is also guaranteed by Zhuhai Xin Feng Development Co., Ltd., the then ultimate parent of the Company, and Mr. Wang Zhi Ning, a director of the Company.

At 31 December 2011, the bank borrowings of HK$52,837,000 were guaranteed by Zhuhai Small & Medium Enterprises Financing Guarantee Co., Ltd., Zhuhai Hua Ding Financing Guarantee Co., Ltd. and Fushan Jun Jie Metal Co., Ltd. It is also guaranteed by Zhuhai Xin Feng Development Co., Ltd., the then ultimate parent of the Company, and Mr. Wang Zhi Ning and Ms. Yang Jian Ru, directors of the Company.

At 31 December 2012, the bank borrowings of HK$37,835,000 were guaranteed by Zhuhai Hua Ding Financing Guarantee Co., Ltd. and Fushan Jun Jie Metal Co., Ltd. It is also secured by personal guaranteed from Mr. Wang Zhi Ning and Ms. Yang Jian Ru, directors of the Company.

At 30 September 2013, the Group bank borrowings of HK$69,252,000 were guaranteed by Zhuhai Small & Medium Enterprises Financing Guarantee Co., Ltd. and Fushan Jun Jie Metal Co., Ltd. It is also guaranteed Zhuhai Xin Feng Development Co., Ltd, a related party of the Company, and Mr. Wang Zhi Ning, Ms. Yang Jian Ru and Mr. Wang Tian, directors of the Company.

(d) The asset-backed financing represents the amount of financing obtained in factoring transactions which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets are included in notes receivables (note 20).

(e) The Group had pledged certain bank deposits, trade receivables, other receivables, inventories, property, plant and equipment and payments for leasehold land held for own use under operating leases to secure the banking facilities, bank borrowings and note payables. The carrying values of these assets pledged at the end of each of the Relevant Periods are as follows:

Group	**At 31 December 2012**	**At 30 September 2013**
	HK$'000	*HK$'000*
Bank deposits	125	1,618
Trade receivables	32,363	9,015
Other receivables	2,229	4,785
Inventories	26,299	12,514
Property, plant and equipment	43,708	75,407
Payments for leasehold land held for own use under operating leases	5,168	5,153
	109,892	108,492

Company		**At 31 December**		**At 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank deposits	4,950	5,155	125	1,618
Trade receivables	3,765	13,569	15,314	9,015
Other receivables	3,130	1,936	2,229	4,785
Inventories	25,223	69,146	26,299	12,514
Property, plant and equipment	29,252	27,542	28,633	28,882
Payments for leasehold land held for own use under operating leases	5,344	5,341	5,168	5,153
	71,664	122,689	77,768	61,967

(f) At the end of each of the Relevant Periods, total current and non-current bank borrowings of the Group were scheduled to repay as follows:

	At 31 December 2012	**At 30 September 2013**
	HK$'000	*HK$'000*
On demand or within one year	66,263	78,769
More than two years, but not exceeding five years	–	32,773
	66,263	111,542

25. DEFERRED INCOME TAXATION

Deferred income tax balances are presented in the statement of financial position as follows:

	At 31 December				**At 30 September**	
	2010	**2011**	**2012**		**2013**	
	Company	**Company**	**Group**	**Company**	**Group**	**Company**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income tax assets	1,363	2,010	2,386	1,360	458	323
Deferred income tax liabilities	–	–	(4,614)	–	(4,125)	–
	1,363	2,010	(2,228)	1,360	(3,667)	323

Details of the deferred income tax assets/(liabilities) recognised during the Relevant Periods are as follows:

Group

	Accelerated amortisation	Provision for Impairment loss of trade receivables	Provision for impairment loss of inventories	Provision for Impairment loss of other receivables	Unrealised profit on intercompany transactions	Revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	130	906	868	106	–	–	2,010
Credited/(debited) to profit or loss	9	(670)	175	(42)	304	67	(157)
Acquired through business combination	–	457	137	–	–	(4,708)	(4,114)
Exchange differences	(2)	5	4	(2)	1	27	33
At 31 December 2012	137	698	1,184	62	305	(4,614)	(2,228)
Credited/(debited) to profit or loss	7	(598)	(1,165)	–	(207)	605	(1,358)
Exchange differences	10	5	20	1	(1)	(116)	(81)
At 30 September 2013	154	105	39	63	97	(4,125)	(3,667)

Company

	Accelerated amortisation	Provision for Impairment loss of trade receivables	Provision for impairment loss of inventories	Provision for Impairment loss of other receivables	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	104	366	–	164	634
Credited to profit or loss	9	353	130	195	687
Exchange differences	4	23	3	12	42
At 31 December 2010	117	742	133	371	1,363
Credited/(debited) to profit or loss	9	134	719	(274)	588
Exchange differences	4	30	16	9	59
At 31 December 2011	130	906	868	106	2,010
Credited/(debited) to profit or loss	9	(670)	45	(42)	(658)
Exchange differences	(2)	5	7	(2)	8
At 31 December 2012	137	241	920	62	1,360
Credited/(debited) to profit or loss	7	(142)	(923)	–	(1,058)
Exchange differences	10	7	3	1	21
At 30 September 2013	154	106	–	63	323

26. AMOUNTS DUE FROM/(TO) RELATED PARTIES

The amounts are unsecured, non-interest bearing and repayable on demand.

27. SHARE CAPITAL

	At 31 December						At 30 September	
		2010		2011		2012		2013
	Number of share'000	*HK$'000*	*Number of share'000*	*HK$'000*	*Number of share'000*	*HK$'000*	*Number of share'000*	*HK$'000*
Registered share capital:								
Ordinary shares of RMB1 each	36,000	33,917	36,000	33,917	56,000	58,469	56,000	58,469
Issued and fully paid:								
Ordinary shares of RMB1 each								
Opening balance	36,000	33,917	36,000	33,917	36,000	33,917	54,434	56,539
Issue of ordinary shares at par	–	–	–	–	18,434	22,622	1,566	1,930
Closing balance	36,000	33,917	36,000	33,917	54,434	56,539	56,000	58,469

By a shareholders' resolution passed on 5 September 2012, the registered share capital of the Company was increased from RMB36,000,000 divided into 36,000,000 ordinary shares of RMB1 each to RMB56,000,000 by the creation of further 20,000,000 ordinary shares of RMB1 each. All new shares rank pari passu in all respects with the existing shares of the Company. In December 2012, the issued share capital of the Company was increased from HK$33,917,000 to HK$56,539,000 by the issue of18,434,000 ordinary shares of RMB1 each for cash at par. In January 2013, the issued share capital of the Company was increased from HK$56,539,000 to HK$58,469,000 by the issue of 1,566,000 ordinary shares of RMB1 each for cash at par.

28. DIVIDENDS

	Years ended 31 December			Nine months ended 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Final dividends	–	6,494	–	–

Pursuant to the ordinary resolution passed at the general meeting held on 18 November 2011, the Company declared a dividend of RMB0.15 (approximately HK$0.18) per share, totalling approximately HK$6,494,000 to the then shareholders.

29. RESERVES

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	**Description and purpose**
Capital reserve	Amount subscribed for share capital in excess of nominal value.
Statutory reserve	In accordance with the relevant PRC regulations and the articles of association of the group entities in the PRC, 10% of net profits as determined in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC (after offsetting any prior years' losses) shall be appropriated to the statutory reserve account. When the balance of such reserve reaches 50% of the paid-in capital or registered capital of the relevant entities, where appropriate, any further appropriations are optional. The statutory reserve can be utilised to offset prior years' losses or to issue bonus shares or registered capital, where appropriate. However, such statutory surplus reserve must be maintained at a minimum of 25% of the paid-in capital or registered capital of the relevant entities, after such issuance.
Foreign exchange reserve	Net gains arising on retranslating the net assets of the foreign operations into presentation currency.
Retained earnings/ (accumulated losses)	Cumulative net gains and losses recognised in profit or loss.

Company

	Capital reserve *HK$'000*	Statutory reserve *HK$'000*	Foreign exchange reserve *HK$'000*	Retained earnings/ (accumulated loss) *HK$'000*	Total *HK$'000*
At 1 January 2012	–	4,015	11,612	(3,917)	11,710
Profit for the year	–	–	–	6,827	6,827
Exchange differences on translating foreign operations	–	–	246	–	246
Total comprehensive income for the year	–	–	246	6,827	7,073
Transfer of reserve	–	683	–	(683)	–
At 31 December 2012	–	4,698	11,858	2,227	18,783
Profit for the period	–	–	–	10,745	10,745
Exchange differences on translating foreign operations	–	–	2,205	–	2,205
Total comprehensive income for the period	–	–	2,205	10,745	12,950
Issue of shares *(note 27)*	40	–	–	–	40
Transfer of reserve	–	1,427	–	(1,427)	–
At 30 September 2013	40	6,125	14,063	11,545	31,773

30. NON-CONTROLLING INTEREST

The following table lists out the information relating to Guangdong Hengjia, a subsidiary of the Group which has material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	At 31 December 2012	**At 30 September 2013**
	HK$'000	*HK$'000*
NCI percentage	30%	30%
Current assets	192,845	180,479
Non-current assets	192,639	182,503
Current liabilities	285,942	205,241
Non-current liabilities	4,614	36,898
Net assets	94,928	120,843
Carrying amount of NCI	28,496	36,271

	Year ended 31 December 2012 *(Note)*	**Nine months ended 30 September 2013**
	HK$'000	HK$'000
Revenue	38,919	226,990
Profit for the year/period	4,203	23,110
Total comprehensive income	3,694	25,916
Profit allocated to NCI	1,261	6,933
Dividend paid to NCI	–	–
Cash flows from operating activities	(9,150)	(12,276)
Cash flows from investing activities	(1,723)	(1,565)
Cash flows from financing activities	6,850	14,950

Note: It represents the result and cash flow of Guangdong Hengjia since the acquisition by the Group.

31. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the Relevant Periods, the Group did not enter into any significant transactions with related parties.

(b) Balances with related parties

Group

	At 31 December 2012 HK$'000	At 30 September 2013 HK$'000
Amounts due from		
– directors	933	–
– shareholders	545	–
– other related parties	6,130	–
	7,608	–
Amounts due to		
– directors	6,359	1,785
– shareholders	114	–
– other related parties	401	–
	6,874	1,785

Company

	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts due from				
– a subsidiary	–	–	25,794	–
– directors	1,168	2,913	933	–
– shareholders	726	1,835	545	–
– other related parties	9,291	8,951	6,130	–
	11,185	13,699	33,402	–
Amounts due to				
– a subsidiary	–	–	–	1,020
– directors	–	–	6,359	1,785
– shareholders	–	–	114	–
– other related parties	–	–	401	–
	–	–	6,874	2,805

As disclosed in note 24(c), at the end of the Relevant Period, the related parties provide guarantee to the Group and the Company for secure the bank borrowing.

(c) Compensations to key management personnel

Directors and supervisors are regarded as the key management personnel of the Company and compensations to whom are disclosed in note 10 to the Financial Information.

32. OPERATING LEASE ARRANGEMENTS

The Group leases certain properties under operating leases. None of these leases includes any contingent rentals. Future minimum rental payable under non-cancellable operating lease are as follows:

Group and Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	92	95	24	–
In the second to fifth year	113	24	–	–
	205	119	24	–

33. CAPITAL COMMITMENTS

At 31 December 2010 and 2011, the Company had capital commitment of nil and HK$2,646,000 respectively, contracted but not provided for in respect of acquisition of property, plant and equipment.

At 31 December 2012 and 30 September 2013, the Group had no capital commitment contracted but not provided for in respect of acquisition of property, plant and equipment.

34. DEFINED CONTRIBUTION RETIREMENT BENEFIT SCHEME

The employees of the Group are the members of a defined contribution retirement benefit scheme operated by a local municipal government of the PRC. The Group and the employees are required to make contributions to the scheme at the rates based on certain percentages of the employees' basic salaries in accordance with the relevant regulations in the PRC. The percentage of contribution made ranges from 0.3% to 15% for the years ended 2010, 2011, 2012 and the nine months ended 30 September 2013 respectively. The contributions are recognised in profit or loss as incurred. The only obligation of the Group with respect to the scheme is to make the required contributions. Forfeited contributions are not available to reduce future contributions payable by the Group.

35. CAPITAL RISK MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern. The capital structure of the Group consists of debts, which includes the bank borrowings (note 24), bank balances and cash (note 22) and equity attributable to owners of the Company, comprising paid-in capital (note 27), reserves (note 29) and retained earnings/accumulated losses as disclosed in the statement of changes in equity respectively.

The Group's capital structure is regularly reviewed and managed with regard to the capital management practices. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group.

The gearing ratio at the end of each of the Relevant Periods was as follows:

	Company		**Group**	
			At 31	**At 30**
	At 31 December		**December**	**September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	34,992	63,652	66,263	111,542
Bank balances and cash *(note 22)*	(7,464)	(9,274)	(4,172)	(10,583)
Net debts	27,528	54,378	62,091	100,959
Equity attributable to the owners of the Company	49,934	45,627	97,884	130,406
Net debts to equity ratio	55%	119%	63%	77%

36. FINANCIAL RISK MANAGEMENT

The Group is mainly exposed to credit risk, liquidity risk, interest rate risk, foreign currency risk in its normal course of business. These risks are managed and mitigated by the Group through its conservative financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade receivables and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Individual credit evaluation is performed on all customers requiring credit over a certain amount. The evaluation focuses on the customers' past history of repayments and current ability to pay, and take account of the information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of customers with outstanding balances to the Group. Normally, the Group does not require collateral from customers but requires customers to make deposits before goods delivery.

At 31 December 2010 and 2011, the Company had concentration of credit risk of 1% and 1% and 9% and 24% to total trade and notes receivables and other receivables and were due from the Company's largest customer and the five largest customers respectively.

At 31 December 2012 and 30 September 2013, the Group had concentration of credit risk of 1% and 1% and 9% and 30% to total trade and notes receivables and other receivables and were due from the Group's largest customer and the five largest customers respectively.

The Group's exposure to credit risk arising from trade and notes receivables and other receivables are set out in notes 20 and 21 to the Financial Information.

The Group does not provide any guarantees which would expose it to credit risk.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure sufficient reserves of cash and adequate committed lines of funding from major financial institutions in the short term.

The following table details the remaining contractual maturities at the end of each of the Relevant Periods in respect of its non-derivative financial liabilities which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

Group

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2012			
Trade payables and notes payables	119,870	119,870	119,870
Other payables, deposits received and accruals	171,798	171,798	171,798
Amounts due to related parties	6,874	6,874	6,874
Dividend payable	1,657	1,657	1,657
Short-term bank borrowings	66,263	67,848	67,848
	366,462	368,047	368,047

Group

	Carrying amount	Total contractual un-discounted cash flows	Within 1 year or on demand	More than 1 year less than 2 years	More than 2 year less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 September 2013					
Trade payables and notes payables	138,754	138,754	138,754	–	–
Other payables, deposits received and accruals	47,129	47,129	47,129	–	–
Amounts due to related parties	1,785	1,785	1,785	–	–
Short-term bank borrowings	78,769	80,971	80,971	–	–
Long-term bank borrowings	32,773	39,017	3,039	3,039	32,939
	299,210	307,656	271,678	3,039	32,939

Company

	Carrying amount *HK$'000*	Total contractual undiscounted cash flows *HK$'000*	Within 1 year or on demand *HK$'000*
At 31 December 2010			
Trade payables and notes payables	34,899	34,899	34,899
Other payables, deposits received and accruals	1,758	1,758	1,758
Dividend payable	235	235	235
Short term bank borrowings	34,992	35,548	35,548
	71,884	72,440	72,440

Company

	Carrying amount *HK$'000*	Total contractual undiscounted cash flows *HK$'000*	Within 1 year or on demand *HK$'000*
At 31 December 2011			
Trade payables and notes payables	53,864	53,864	53,864
Other payables, deposits received and accruals	2,230	2,230	2,230
Dividend payable	6,835	6,835	6,835
Short term bank borrowings	63,652	65,046	65,046
	126,581	127,975	127,975

Company

	Carrying amount *HK$'000*	Total contractual undiscounted cash flows *HK$'000*	Within 1 year or on demand *HK$'000*
At 31 December 2012			
Trade payables and notes payables	30,918	30,918	30,918
Other payables, deposits received and accruals	43,864	43,864	43,864
Amounts due to related parties	6,874	6,874	6,874
Dividend payable	1,657	1,657	1,657
Short-term bank borrowings	41,412	41,836	41,836
	124,725	125,149	125,149

Company

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*
At 30 September 2013			
Trade payables and notes payables	10,728	10,728	10,728
Other payables, deposits received and accruals	4,657	4,657	4,657
Amounts due to related parties	2,805	2,805	2,805
Short-term bank borrowings	69,630	71,832	71,832
	87,820	90,022	90,022

(c) Interest rate risk

The Group is exposed to interest rate risk due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly bank deposits, which are mostly short-term in nature whereas interest-bearing financial liabilities are primarily bank borrowings (note 24). The Group's fair value interest-rate risk mainly relates to fixed-rate bank borrowings (note 24). The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation on the rate determined by the People's Bank of China arising from the Group's bank borrowings denominated in RMB.

The Group has not used any derivative financial instruments to hedge potential fluctuations in interest rates. However, management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

Sensitivity analysis

During the Relevant Periods, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Company's profit after income tax for the years ended 31 December 2010 and 2011 and the retained earnings for the respective year then ended by approximately HK$119,000 and HK$250,000.

During the Relevant Periods, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after income tax for the years ended 31 December 2012 and for the nine months ended 30 September 2013 and the retained earnings for the respective year/period then ended by approximately HK$167,000 and HK$188,000.

The sensitivity analysis above has been determined based on the exposure to interest rates for bank borrowings at the Relevant Periods arranged at floating market interest rate. The analysis is prepared by assuming the amount of liabilities outstanding at the end of the Relevant Periods was outstanding for the whole year/period. A 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the Relevant Periods until the next annual reporting date.

(d) Foreign currency risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the financial assets and financial liabilities at the end of each of the Relevant Periods are categorised as follows:

Group

	At 31 December 2012	At 30 September 2013
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including bank balances and cash)	185,186	223,262
Financial liabilities		
Financial liabilities measured at amortised cost	366,462	299,210

Company

	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including bank balances and cash)	45,649	55,072	72,413	96,929
Financial liabilities				
Financial liabilities measured at amortised cost	71,884	126,581	124,725	87,820

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities in the Financial Information approximate their fair values at the end of each of the Relevant Periods.

38. BUSINESS COMBINATIONS

On 16 November 2012, the Company entered into separate sale and purchase agreements with certain equity holders of Guangdong Hengjia (collectively referred to as "Sellers"), who are independent third parties, whereby the Company agreed to buy and the Sellers agreed to sell their equity interests, representing a total of 70% equity interests of Guangdong Hengjia to the Company. The Group did not own any equity interests in Guangdong Hengjia before the transaction.

The transaction was completed on 23 November 2012.

Over recent years, the Group has strived to improve its profitability by looking for entities that are able to provide high gross margin and are related to the existing business of the Company. Guangdong Hengjia is one of the major customers of the Company with good creditability, geographical accessibility and stable business platform. The gain on bargain purchase arising from the acquisition was primarily attributable to the consideration determined based on the carrying amount of the share capital of Guangdong Hengjia that was mutually agreed between the parties. As the Company has network of financial resources which can enhance the Guangdong Hengjia's working capital and support planned production expansion of Guangdong Hengjia, such favorable consideration are negotiated between the Company and the Sellers.

The non-controlling interest arisen from the acquisition is measured at the proportionate share of the registered capital in the recognised amounts of Guangdong Hengjia's identifiable net assets at the date of acquisition.

The transaction was consummated by cash of RMB35,000,000 (approximately HK$42,952,000).

The following table summarises the consideration paid, amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	Note	*HK$'000*
Consideration satisfied by cash		42,952
Recognised amounts of identifiable assets acquired and liabilities assumed		
Property, plant and equipment	*15*	163,421
Payments to leasehold land held for own use under operating leases		28,019
Intangible assets	*17*	173
Deferred income tax assets	*25*	594
Inventories		23,550
Trade and other receivables		142,881
Cash and cash equivalents		4,867
Trade and other payables		(98,704)
Bank borrowings		(36,412)
Amounts due to related parties		(126,091)
Income tax payable		(6,357)
Deferred income tax liabilities	*25*	(4,708)
Non-controlling interests		(27,370)
Total identifiable net assets		63,863
Gain on bargain purchase	*8*	20,911
Cash outflows for the acquisition		
Consideration paid		18,408
Less: cash acquired		(4,867)
Net cash outflow for the acquisition		13,541

The gross contractual amounts of the above acquired receivables, including trade and other receivables equal their carrying amounts and approximates to their fair values as stated above.

The revenue included in the consolidated statement of comprehensive income since 1 December 2012 to 31 December 2012 contributed by Guangdong Hengjia was HK$38,919,000. Guangdong Hengjia also contributed profit after income tax expense of HK$4,203,000 over the same period.

Had Guangdong Hengjia been consolidated from 1 January 2012, the consolidated statement of comprehensive income would show turnover of HK$428,509,000 and profit after income tax expense of HK$24,103,000. This pro forma information is illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future performance.

There was no material acquisition-related cost incurred in relation to the acquisition.

39. MAJOR NON CASH TRANSACTIONS

For the year ended 31 December 2011, dividend payment of HK$1,489,000 was settled through the current account maintained with its shareholders of the Company.

As disclosed under financing activities of the consolidated statement of cash flow for the nine months ended 30 September 2013, part of the decrease in amounts due to related parties of a subsidiary amounting to approximately HK$76,785,000 was satisfied through transferring the equivalent amount of trade receivables to a related party of a subsidiary.

40. SUBSEQUENT EVENT

There is no material subsequent event after 30 September 2013.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial Information has been prepared for the Company in respect of any period subsequent to 30 September 2013.

(iii) ACCOUNTANT'S REPORT OF GUANGDONG HENGJIA

The following is the text of a report on Guangdong Hengjia received from the Company's reporting accountant BDO Limited for the purpose of incorporation in this circular.

BDO

Tel: +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

香港干諾道中111號
永安中心25樓

31 March 2014

The Board of Directors
Sunway International Holdings Limited
Room 1708–1710 Nan Fung Centre
264–298 Castle Peak Road
Tsuen Wan
Hong Kong

Dear Sirs,

We set out below our report on the financial information regarding Guangdong Hengjia Construction Materials Co., Ltd. (the "Company") and its subsidiary (hereinafter collectively referred to as the "Group") which comprises the statements of financial position of the Company as at 31 December 2010, 2011, 2012 and 30 September 2013 and the consolidated statements of financial position of the Group as at 31 December 2010 and 2011, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2010, 2011 and 2012 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Company for the nine months ended 30 September 2013 and a summary of significant accounting policies and other explanatory notes (the "Financial Information") together with the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Company for the nine months ended 30 September 2012 (the "Comparative Financial Information"), prepared on the basis set out in note 2 of Section B below, for inclusion in the circular of Sunway International Holdings Limited ("Sunway") dated 31 March 2014 (the "Circular") in connection with the proposed acquisition of the Group by Sunway (the "Acquisition").

The Company was established as a limited company in the People's Republic of China (the "PRC") on 11 September 2007. The principal activities of the Company are manufacture and sale of prestressed high-strength concrete piles ("PHC piles"), ready-mixed concrete, sand lime bricks, aerated concrete products and eco-permeable concrete products in the PRC. Particulars of the Company's subsidiary for each of the years ended 31 December 2010, 2011 and 2012 are set out in note 18 to the Financial Information.

The statutory financial statements of the Company for the years ended 31 December 2010, 2011 and 2012 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP") and were audited by certified public accountants registered in the PRC. The statutory financial statements of the Company for the years ended 31 December 2010 and 2011 were audited by 陽江市啟陽會計師事務所 Yangjiang Qiyang CPA Co., Ltd. while the statutory financial statements of the Company for the year ended 31 December 2012 were audited by 利安達會計師事務所有限責任公司 Reanda Certified Public Accountant Co., Ltd.

The subsidiary of the Company during each of the years ended 31 December 2010, 2011 and 2012 has adopted 31 December as its financial year end date. No statutory audited financial statements have been prepared for the subsidiary. No statutory audited financial statements of the Company have been prepared subsequent to 31 December 2012.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the years ended 31 December 2010, 2011 and 2012 and the financial statements of the Company for the year ended 31 December 2012 and the nine months ended 30 September 2013 (the "Underlying Financial Statements"), in accordance with the basis of preparation set out in note 2 of Section B below and accounting policies set out in note 4 of Section B below which conform with Hong Kong Financial Reporting Standards ("HKFRSs"), issued by the Hong Kong Institute of Certified Public Accounts (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustment made thereon.

The directors of the Company are responsible for the contents of the Circular including the preparation and true and fair view presentation of the Financial Information in accordance with the basis of preparation set out in note 2 of Section B below and the accounting policies set out in note 4 of Section B below, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures and to report our opinion to you.

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors are responsible for the preparation and fair presentation of Comparative Financial Information in accordance with HKFRSs. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review.

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

This report is made solely to you, as a body, in accordance with our agreed terms of 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.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis set out in note 2 of Section B below and the accounting policies set out in note 4 of Section B below, gives a true and fair view of the consolidated state of affairs of the Group as at 31 December 2010 and 2011 and the state of affairs of the Company as at 31 December 2010, 2011, 2012 and 30 September 2013, of the consolidated results and cash flows of the Group for each of the years ended 31 December 2010, 2011 and 2012 and of the results and cash flows of the Company for nine months ended 30 September 2013..

REVIEW CONCLUSION IN RESPECT OF THE COMPARATIVE FINANCIAL INFORMATION

Based on our review, nothing has come to our attention that causes us to believe that the Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with same basis adopted in respect of the Financial Information.

A. FINANCIAL INFORMATION

1. STATEMENTS OF COMPREHENSIVE INCOME

		Group			Company	
		Years ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Turnover	6	104,047	138,192	247,599	146,280	226,990
Cost of sales		(99,137)	(124,440)	(201,994)	(128,207)	(178,007)
Gross profit		4,910	13,752	45,605	18,073	48,983
Other income	8	596	1,217	1,706	491	37
Other gains and losses	8	(1,805)	(1,186)	1,369	1,364	4,407
Distribution costs		(1,269)	(8,105)	(10,529)	(7,111)	(8,595)
Administrative expenses		(5,041)	(6,891)	(8,264)	(5,797)	(8,533)
Finance costs	9	(2,256)	(3,351)	(5,544)	(4,093)	(3,010)
Profit/(loss) before income tax expense	11	(4,865)	(4,564)	24,343	2,927	33,289
Income tax expense	12	(3,545)	(2,765)	(6,151)	(771)	(8,356)
Profit/(loss) for the year/period attributable to owners of the Company		(8,410)	(7,329)	18,192	2,156	24,933
Other comprehensive income, which may be reclassified subsequently to profit or loss, net of tax						
Exchange differences on translating foreign operations		1,454	1,677	220	65	2,469
Total comprehensive income for the year/period attributable to owners of the Company		(6,956)	(5,652)	18,412	2,221	27,402
Basic and diluted earnings/(loss) per share (HK cents)	14	(45.75)	(22.40)	40.29	4.95	49.87

2. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December	
		2010	**2011**
	Notes	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	*15*	129,902	143,938
Payments for leasehold land held for own use under operating leases	*16*	24,351	24,739
Intangible assets	*17*	19	217
Deferred income tax assets	*19*	591	924
Total non-current assets		154,863	169,818
Current assets			
Inventories	*20*	12,905	30,108
Trade and notes receivables	*21*	40,692	45,961
Other receivables, deposits and prepayments	*22*	16,118	29,069
Amounts due from related parties	*23*	5,060	7,994
Cash and cash equivalents	*24*	950	2,822
Total current assets		75,725	115,954
Total assets		230,588	285,772
Current liabilities			
Trade payables and notes payables	*25*	12,018	47,987
Other payables, deposits received and accruals	*25*	33,484	43,547
Bank borrowings	*26*	25,894	45,528
Finance lease payable	*27*	1,103	1,016
Amounts due to related parties	*23*	86,703	87,596
Income tax payable		4,695	6,715
Total current liabilities		163,897	232,389
Net current liabilities		(88,172)	(116,435)
Total assets less current liabilities		66,691	53,383
Non-current liabilities			
Bank borrowings	*26*	21,775	10,375
Finance lease payable	*27*	980	–
Total non-current liabilities		22,755	10,375
Total liabilities		186,652	242,764
NET ASSETS		43,936	43,008

2. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – Continued

		At 31 December	
		2010	**2011**
	Notes	*HK$'000*	*HK$'000*
Capital and reserves attributable to owners of the Company			
Share capital	*28*	34,297	39,021
Capital reserve	*29*	19,894	19,894
Statutory reserve		757	1,821
Foreign exchange reserve		1,393	3,070
Accumulated losses		(12,405)	(20,798)
TOTAL EQUITY		43,936	43,008

2. STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
		2010	2011	2012	2013
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*15*	129,902	143,938	148,917	141,206
Payments for leasehold land held for own use under operating leases	*16*	24,351	24,739	24,356	24,620
Intangible assets	*17*	19	217	168	138
Investment in a subsidiary	*18*	589	976	–	–
Deferred income tax assets	*19*	591	924	721	38
Total non-current assets		155,452	170,794	174,162	166,002
Current assets					
Inventories	*20*	12,905	30,108	31,598	22,966
Trade and notes receivables	*21*	40,692	45,961	136,561	85,821
Other receivables, deposits and prepayments	*22*	15,529	28,459	23,840	66,054
Amounts due from related parties	*23*	5,649	7,628	16	2,390
Pledged bank deposits		–	–	–	1,261
Cash and cash equivalents	*24*	950	2,822	830	1,987
Total current assets		75,725	114,978	192,845	180,479
Total assets		231,177	285,772	367,007	346,481
Current liabilities					
Trade payables and notes payables	*25*	12,018	47,987	88,953	128,026
Other payables, deposits received and accruals	*25*	33,484	43,547	13,723	34,858
Bank borrowings	*26*	25,894	45,528	24,851	9,139
Finance lease payable	*27*	1,103	1,016	–	–
Amounts due to related parties	*23*	87,292	87,596	150,490	29,010
Income tax payable		4,695	6,715	7,925	4,208
Total current liabilities		164,486	232,389	285,942	205,241
Net current liabilities		(88,761)	(117,411)	(93,097)	(24,762)
Total assets less current liabilities		66,691	53,383	81,065	141,240
Non-current liabilities					
Bank borrowings	*26*	21,775	10,375	–	32,773
Finance lease payable	*27*	980	–	–	–
Total non-current liabilities		22,755	10,375	–	32,773
Total liabilities		187,241	242,764	285,942	238,014
NET ASSETS		43,936	43,008	81,065	108,467

2. STATEMENTS OF FINANCIAL POSITION – Continued

		At 31 December			At 30 September
		2010	2011	2012	2013
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves attributable to owners of the Company					
Share capital	*28*	34,297	39,021	58,666	58,666
Capital reserve	*29*	19,894	19,894	19,894	19,894
Statutory reserve		757	1,821	4,327	6,248
Foreign exchange reserve		1,393	3,070	3,290	5,759
(Accumulated losses)/retained earnings		(12,405)	(20,798)	(5,112)	17,900
TOTAL EQUITY		43,936	43,008	81,065	108,467

3. STATEMENTS OF CHANGES IN EQUITY

	Share capital HK$'000	Capital reserve HK$'000	Statutory Reserve HK$'000	Merge reserve HK$'000	Foreign exchange reserve HK$'000	Retained earnings/ (accumu-lated losses) HK$'000	Total HK$'000
Group							
At 1 January 2010	11,405	–	–	22,892	(61)	(3,238)	30,998
Loss for the year	–	–	–	–	–	(8,410)	(8,410)
Exchange differences on translating foreign operations	–	–	–	–	1,454	–	1,454
Total comprehensive income for the year	–	–	–	–	1,454	(8,410)	(6,956)
Issue of registered capital *(note 28)*	22,892	–	–	(22,892)	–	–	–
Capital injection for granting land use rights *(note 29)*	–	19,894	–	–	–	–	19,894
Transfer of reserve	–	–	757	–	–	(757)	–
At 31 December 2010	34,297	19,894	757	–	1,393	(12,405)	43,936
Loss for the year	–	–	–	–	–	(7,329)	(7,329)
Exchange differences on translating foreign operations	–	–	–	–	1,677	–	1,677
Total comprehensive income for the year	–	–	–	–	1,677	(7,329)	(5,652)
Issue of shares *(note 28)*	4,724	–	–	–	–	–	4,724
Transfer of reserve	–	–	1,064	–	–	(1,064)	–
At 31 December 2011	39,021	19,894	1,821	–	3,070	(20,798)	43,008
Profit for the year	–	–	–	–	–	18,192	18,192
Exchange differences on translating foreign operations	–	–	–	–	220	–	220
Total comprehensive income for the year	–	–	–	–	220	18,192	18,412
Issue of share capital *(note 28)*	19,645	–	–	–	–	–	19,645
Transfer of reserve	–	–	2,506	–	–	(2,506)	–
At 31 December 2012	58,666	19,894	4,327	–	3,290	(5,112)	81,065
Company							
At 1 January 2013	58,666	19,894	4,327	–	3,290	(5,112)	81,065
Profit for the period	–	–	–	–	–	24,933	24,933
Exchange differences on translating foreign operations	–	–	–	–	2,469	–	2,469
Total comprehensive income for the period	–	–	–	–	2,469	24,933	27,402
Transfer of reserve	–	–	1,921	–	–	(1,921)	–
At 30 September 2013	58,666	19,894	6,248	–	5,759	17,900	108,467

3. STATEMENTS OF CHANGES IN EQUITY – Continued

	Share capital *HK$'000*	Capital reserve *HK$'000*	Statutory Reserve *HK$'000*	Foreign exchange reserve *HK$'000*	Retained earnings/ (accumulated losses) *HK$'000*	Total *HK$'000*
Company						
Unaudited						
At 1 January 2012	39,021	19,894	1,821	3,070	(20,798)	43,008
Profit for the period	–	–	–	–	2,156	2,156
Exchange differences on translating foreign operations	–	–	–	65	–	65
Total comprehensive income for the period	–	–	–	65	2,156	2,221
Issue of shares *(note 28)*	19,645	–	–	–	–	19,645
Transfer of reserve	–	–	1,275	–	(1,275)	–
At 30 September 2012	58,666	19,894	3,096	3,135	(19,917)	64,874

Note: In accordance with the relevant PRC regulations and the articles of association of the group entities in the PRC, 10% of net profits as determined in accordance with PRC GAAP (after offsetting any prior years' losses) shall be appropriated to the statutory reserve account. When the balance of such reserve reaches 50% of the paid-in capital or registered capital of the relevant entities, where appropriate, any further appropriations are optional. The statutory reserve can be utilised to offset prior years' losses or to issue bonus shares or registered capital, where appropriate. However, such statutory surplus reserve must be maintained at a minimum of 25% of the paid-in capital or registered capital of the relevant entities, after such issuance.

4. STATEMENTS OF CASH FLOWS

	Group			Company	
	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Cash flows from operating activities					
Profit/(loss) before income tax expense	(4,865)	(4,564)	24,343	2,927	33,289
Adjustments for:					
Interest expense	2,256	3,351	5,544	4,093	3,010
Depreciation of property, plant and equipment	6,326	12,159	14,226	10,226	13,191
Amortisation of payments for leasehold land held for own use under operating leases	362	506	517	387	393
Amortisation of intangible assets	14	25	50	39	34
Provision for/(reversal of) impairment loss of trade receivables	1,821	1,200	(1,358)	(1,358)	(1,845)
Provision for/(reversal of) impairment loss of inventories	480	27	526	–	(934)
Operating profit before working capital changes	6,394	12,704	43,848	16,314	47,138
(Increase)/decrease in trade and other receivables	12,963	(10,969)	(89,505)	(58,604)	46,530
(Increase)/decrease in inventories	(11,064)	(16,506)	(1,853)	1,491	10,322
(Decrease)/increase in trade and other payables	(6,288)	43,694	10,643	15,189	44,473
(Decrease)/increase in amounts due to related parties	–	–	25,799	–	(27,217)
Cash generated from operations	2,005	28,923	(11,068)	(25,610)	121,246
Interest paid	(2,256)	(3,351)	(5,544)	(4,093)	(3,010)
Income tax paid	(179)	(1,254)	(4,769)	(1,059)	(11,551)
Net cash generated from/(used in) operating activities	(430)	24,318	(21,381)	(30,762)	106,685
Cash flows from investing activities					
Increased in pledged bank deposits	–	–	–	–	(1,261)
(Increase)/decrease in amounts due from related parties	(4,343)	(2,706)	8,022	8,031	(1,340)
Payment to acquire property, plant and equipment	(48,537)	(21,247)	(18,430)	(2,378)	(1,565)
Repayment from/(payment for) cash advance to suppliers	–	(6,108)	5,885	(2,989)	(31,945)
Payment to acquire land use rights	(24,073)	–	–	–	–
Payment to acquire intangible assets	–	(219)	–	–	–
Net cash generated from/(used in) investing activities	(76,953)	(30,280)	(4,523)	2,664	(36,111)

4. STATEMENTS OF CASH FLOWS – Continued

	Group			Company	
	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Cash flows from financing activities					
(Decrease)/increase in amounts due to related parties	40,308	(2,196)	36,628	23,472	(98,009)
Proceeds from bank and other borrowings	32,664	32,830	54,558	43,837	57,849
Repayment of bank borrowings	(14,555)	(26,457)	(85,918)	(57,264)	(29,305)
Proceeds from issue of shares	–	4,724	19,645	19,645	–
Repayment of obligations under finance lease	(1,016)	(1,127)	(1,016)	(916)	–
Capital contribution from shareholders	19,894	–	–	–	–
Net cash generated from/(used in) financing activities	77,295	7,774	23,897	28,774	(69,465)
Net increase/(decrease) in cash and cash equivalents	(88)	1,812	(2,007)	676	1,109
Cash and cash equivalents at the beginning of year/period	1,006	950	2,822	2,822	830
Effect of foreign exchange rate change	32	60	15	7	48
Cash and cash equivalents at the end of year/period	950	2,822	830	3,505	1,987

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was established in the PRC on 11 September 2007 with limited liability. The principal activities are manufacture and sale of PHC piles, ready-mixed concrete, sand lime bricks, aerated concrete products and eco-permeable concrete products in the PRC. The address of registered office and principal place of business of the Company is Zhan Gang Highway Nearby, Shuang Jie Zhen, Jiang Cheng District, Yangjiang, the PRC.

On 3 November 2010, the Company completed its reorganisation by legally merging with certain related companies under common control. Details of the reorganisation are set out in note 2(c) "Business combination involving entities under common control" below. At the time of establishment, the Company was known as Yangjiang Hengjia Piles Company Limited 陽江市恒佳管樁有限公司. On 9 May 2011, the Company undertook a constitutional reform by converting its paid-in capital into ordinary shares in a ratio of RMB1 paid-in capital to RMB1 ordinary share. Details of this reform are set forth in note 28 to the Financial Information. In addition, the Company was renamed to Guangdong Hengjia Construction Materials Co., Ltd. 廣東恒佳建材股份有限公司.

On 27 September 2012, the Company disposed of its dormant subsidiary to an independent third party. After the disposal, as disclosed in note 31 the Company did not hold any equity interests in other companies.

The directors consider the ultimate parent of the Group as at 31 December 2010 and 2011 are Mr. Xu Dun and Yangjiang Hengjia Industrial Co., Ltd. ("Hengjia Industrial") which was incorporated in the PRC. As at 31 December 2012, the directors consider the parent and ultimate parent of the Company is Zhuhai Hoston Special Materials Co. Ltd ("Zhuhai Hoston"), a company incorporated in the PRC and Royal Asia International Limited ("Royal Asia"), a company incorporated in Hong Kong, respectively. As at 30 September 2013, the directors consider the immediate parent, intermediate parent and ultimate parent of the Company are Zhuhai Hoston, Royal Asia and Joint Expert Global Limited, a company incorporated in the British Virgin Islands, respectively.

The Financial Information has been approved for issue by the board of directors on 31 March 2014.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information has been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Financial Information includes applicable disclosures required by the Listing Rules.

All HKFRSs effective for the accounting periods commencing from 1 January 2013 and relevant to the Group, have been adopted by the Group in the preparation of the Financial Information consistently throughout each of the years ended 31 December 2010, 2011 and 2012 and nine months period ended 30 September 2013 (the "Relevant Periods") to the extent required or allowed by the transitional provisions in HKFRSs.

(b) Basis of measurement

The Financial Information has been prepared under the historical cost convention.

Accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5.

(c) Business combination involving entities under common control

At the date of establishment of the Company, equity holders of the Company also established three other companies (collectively referred to as the "Merged Companies"), namely Yangjiang Hengjia New Environmental Building Materials Limited 陽江市恒佳新型環保建材有限公司, Yangjiang Hengjia Aerated Concrete Products Company Limited 陽江市恒佳加氣混凝土製品有限公司 and Yangjiang Hengjia Sand Lime Bricks Company Limited 陽江市恒佳灰砂磚有限公司, to engage in different business lines of manufacture and sale of construction materials. Since the establishment of the Company and the Merged Companies, all equity holders act together as a single group of equity holders to manage and control the business and operations of the Company and the Merged Companies on a collective basis and the equity holders make collective decisions in respect of the financial and operating policy of the Company and the Merged Companies so as to obtain economics benefits from the Company and the Merged Companies.

On 27 July 2010, all equity holders of the Company entered into a legal merger agreement under which the Company is merged with the Merged Companies which are under the common control of the single group of equity holders acting in concert. To effect the legal merger, the Company raised its registered capital by RMB20,000,000 which was satisfied by the paid-in capital of the Merged Companies in aggregate of RMB20,000,000. The merger did not involve any transfer of consideration among the equity holders and is regarded as a continuation of the interests of these parties. After the legal merger, the three companies were dissolved on 16 September 2010.

As the single group of equity holders continuously act in concert, the Company and the Merged Companies were under common control of the single group of equity holders before and after the business combination and the control is not transitory. As a result, the business combination is dealt with as business combination under common control. The Underlying Financial Statements of the Group have been prepared on the principle of merger accounting as if the business combination under common control had occurred from the date when the combining entities first came under the control (i.e. as of 11 September 2007) of the single group of equity holders.

(d) Basis of preparation of the Financial Information

The financial statements for the years ended 31 December 2010, 2011 and 2012 represent the consolidated financial statements of the Company and its subsidiary. The financial statements for the nine months ended 30 September 2013 represent the financial statements of the Company together with its statement of comprehensive income, statement of changes in equity and statement of cash flows for the equivalent period in prior year.

(e) Functional and presentation currency

The functional currency of the Company is Renminbi while the Financial Information and the Comparative Financial Information presented in Hong Kong dollars ("HK$"), and all values are rounded to the nearest thousand, unless otherwise stated.

3. POTENTIAL IMPACT ARISING ON THE NEW HKFRSs NOT YET EFFECTIVE

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[1]
HK(IFRIC) Interpretation 21	Levies[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets[1]
HKFRS 9	Financial Instruments
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]

1 Effective for annual periods beginning on or after 1 January 2014

HKAS 32 – Offsetting Financial Assets and Financial Liabilities

HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the HKAS 32 offsetting systems (such as central clear house system which apply gross settlement mechanism that are not simultaneous).

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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 – Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements. To qualify as an investment entity, a reporting entity is required to:

– obtain funds from one or more investors for the purpose of providing them with professional investment management services;

– commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

– measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities. The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

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.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation and subsidiary

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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 interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(b) Business combination involving entities under common control

The consolidated financial statements incorporate the financial statements of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling parties' interest.

The consolidated statement of comprehensive income includes the results of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period, regardless of the date of the common control combination. The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous date of consolidated statement of financial position or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All inter-group transactions, balances and unrealised gains on transactions between combining entities are eliminated on consolidation. Transaction costs including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses etc. incurred in relation to the common control combination is recognised as an expense in the period in which they are incurred.

The difference between the share capital of entities combined and the nominal value of the shares issued by the Company in exchange has been recorded in the merger reserve in consolidated financial statements.

(c) Property, plant and equipment

Property, plant and equipment, other than construction-in-progress, is stated at cost less accumulated depreciation and any impairment losses.

The cost of property, plant and equipment comprises its purchase price and costs directly attributable to the acquisition of the item.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial year/period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their costs of over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives are as follows:

Building	30 years
Plant and machinery	5–15 years
Office equipment	3–5 years
Motor vehicles	5–10 years

Construction in progress represents property, plant and equipment under construction and is stated at cost less any impairment losses. Cost comprises direct costs of construction as well as capitalised borrowing costs during the period of construction and installation. Capitalisation of these costs ceases when substantially all the activities necessary to prepare the asset for its intended use are completed. Construction in progress is transferred to appropriate class of property, plant and equipment when it is completed and ready for its intended use and depreciated in accordance with the accounting policy of depreciation.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in profit or loss.

(d) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied land parcels. These payments are stated at cost are amortised over the period of the lease on a straight-line basis an expense.

(e) Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in profit or loss. The useful life of the intangible assets is estimated to be 3–5 years.

(f) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible asset and interests in leasehold land held for own use under operating leases, and interest in a subsidiary held by the Company 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 reduced.

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.

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted-average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(h) Financial instruments

(i) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. The Group has one category of financial assets being loans and receivables.

Trade and note receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

An impairment loss is reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Financial liabilities

The Group has one category of financial liabilities being financial liabilities at amortised cost. These liabilities, including trade and other payables, are initially recognised at fair value, net of directly attributable costs incurred. Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) 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 Periods. 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.

(iv) Equity instruments

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

(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.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statements of cash flows.

(j) 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 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.

(k) Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of lease.

(l) Finance leases

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 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.

(m) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they intended to compensate, on a systematic basis. Government grants that are receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(n) Income taxes

Income taxes for the year/period 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 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 investment in subsidiaries, associates and jointly controlled entities, 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.

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 directly recognised in other comprehensive income.

(o) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (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.

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.

(p) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution retirement benefit scheme

The Group pays contributions to defined contribution plans, being publicly administered pension insurance plans on mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts and exclude value added tax. Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Interest income is recognised on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

(r) 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 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

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 the Relevant Periods and future periods.

The key sources of estimation uncertainty are discussed below:

Impairment of property, plant and equipment

The Group tests annually whether property, plant and equipment have suffered any impairment. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation in future periods.

Impairment of trade and other receivables

Recoverability of the trade and other receivable is reviewed by management based on the receivables' aging characteristics, management evaluation of the current creditworthiness and past collection history of each customer. Judgment is required in assessing the ultimate realisation of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

Write-down of inventories to net realisable value

Write down of inventories to net realisable value is made by reference to the aging and estimated net realisable value of inventories. The assessment of the write-down amount involves management's judgments and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the inventories and the write-down charge/reversal in the period in which such estimate has been changed.

6. TURNOVER

Turnover, which is also the revenue, represents the net invoiced value of goods sold, net of discounts and sales related taxes. Analysis of revenue by product types is disclosed as follows:

	Group			Company	
				Nine months ended	
	Years ended 31 December			30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
PHC piles	60,899	82,008	148,597	85,435	121,196
Ready-mixed concrete	33,056	35,440	44,104	23,577	63,276
Aerated concrete products	4,323	12,813	31,896	20,935	30,270
Sand lime bricks	4,389	6,518	11,649	7,453	6,591
Others	1,380	1,413	11,353	8,880	5,657
	104,047	138,192	247,599	146,280	226,990

7. SEGMENT INFORMATION

The Group and the Company determines its operating segment based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. It has one reportable segment, which is the manufacture and sale of PHC piles, ready-mixed concrete, sand lime bricks, aerated concrete products and eco-permeable concrete products in the PRC.

(a) Geographical information

The Group's operations and assets are located in the PRC, in which all of its revenue was derived.

(b) Information about major customers

Revenue from customers contributing over 10% of the total turnover of the Group or the Company is as follows:

	Group			**Company**	
	Years ended 31 December			**Nine months ended 30 September**	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Customer A	N/A	14,485	30,404	27,082	N/A
Customer B	N/A	29,266	28,939	16,381	N/A
Customer C	N/A	16,976	N/A	N/A	N/A
Customer D	N/A	N/A	N/A	N/A	N/A
	N/A	60,727	59,343	43,463	N/A
Percentage to total turnover of the Group/the Company	0%	44%	24%	30%	0%

8. OTHER INCOME, GAINS AND LOSSES

	Group			**Company**	
	Years ended 31 December			**Nine months ended 30 September**	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Other income					
Government grants (note)	596	1,217	1,706	491	37
Other gains and losses					
(Provision for)/reversal of impairment loss of trade receivables	(1,821)	(1,200)	1,358	1,358	1,845
Others	16	14	11	6	2,562
	(1,805)	(1,186)	1,369	1,364	4,407

Note: Throughout the Relevant Periods, the Group received grants from the local government in the PRC as the support to reduce the financing burden of the Group and for the encouragement of power efficiency by the Group under the government's power saving scheme.

9. FINANCE COSTS

	Group			Company	
				Nine months ended	
	Years ended 31 December			30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Interest on bank borrowings wholly repayable within five years	2,102	3,239	4,094	2,842	2,846
Other interest expenses	–	–	1,416	1,217	164
Finance lease interest	154	112	34	34	–
	2,256	3,351	5,544	4,093	3,010

10. REMUNERATION OF DIRECTORS, SUPERVISORS AND EMPLOYEES

(a) Executive directors and supervisors' remuneration

Details of the remunerations to the executive directors and supervisors of the Company are as follows:

Year ended 31 December 2010

	Fees	**Salaries and allowances**	**Defined contribution retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive director				
– Lin Zhen Jun	–	69	2	71
Supervisor				
– Xu Dun	–	–	–	–

Year ended 31 December 2011

	Fees	Salaries and allowances	Defined contribution retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
– Lin Ye Pan *(note a)*	–	43	3	46
– Lin Zhen Jun	–	54	3	57
– Lin Zhen Shi *(note a)*	–	–	–	–
– Xu Dun *(note b)*	–	–	–	–
– Xu Jia Yuan *(note a)*	–	–	–	–
	–	97	6	103
Supervisors				
– Xu Dun *(note b)*	–	–	–	–
– Lin Shan Jun *(note a)*	–	–	–	–
– Liu Kai Xiang *(note a)*	–	–	–	–
	–	–	–	–

Year ended 31 December 2012

	Fees	Salaries and allowances	Defined contribution retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
– Lin Ye Pan	–	59	7	66
– Lin Zhen Jun	–	74	7	81
– Lin Zhen Shi *(note c)*	–	–	–	–
– Xu Dun		55	–	55
– Xu Jia Yuan *(note c)*	–	–	–	–
– Chen Shi Dong *(note d)*	–	–	–	–
– Tan Li Mei *(note d)*	–	–	–	–
	–	188	14	202
Supervisors				
– Lin Shan Jun	–	–	–	–
– Liu Kai Xiang	–	–	–	–
	–	–	–	–

Nine months ended 30 September 2013

	Fees	Salaries and allowances	Defined contribution retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
– Lin Ye Pan	–	113	6	119
– Lin Zhen Jun	–	66	3	69
– Xu Dun	–	66	–	66
– Chen Shi Dong	–	–	–	–
– Tan Li Mei	–	–	–	–
	–	245	9	254
Supervisors				
– Lin Shan Jun	–	–	–	–
– Liu Kai Xiang	–	–	–	–
	–	–	–	–

Nine months ended 30 September 2012 (unaudited)

	Fees	Salaries and allowances	Defined contribution retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
– Lin Ye Pan	–	40	5	45
– Lin Zhen Jun	–	50	5	55
– Lin Zhen Shi *(note c)*	–	–	–	–
– Xu Dun	–	43	–	43
– Xu Jia Yuan *(note c)*	–	–	–	–
– Chen Shi Dong *(note d)*	–	–	–	–
– Tan Li Mei *(note d)*	–	–	–	–
	–	133	10	143
Supervisors				
– Lin Shan Jun	–	–	–	–
– Liu Kai Xiang	–	–	–	–
	–	–	–	–

Notes:

(a) Mr. Lin Ye Pan, Mr. Lin Zhen Shi, Mr. Xu Jia Yuan, Mr. Lin Shan Jun and Mr. Liu Kai Xiang were appointed on 27 April 2011.

(b) Mr. Xu Dun was resigned as a supervisor and appointed as an executive director on 27 April 2011.

(c) Mr. Lin Zhen Shi and Mr. Xu Jia Yuan were resigned on 10 May 2012.

(d) Mr. Chen Shi Dong and Ms. Tan Li Mei were appointed on 10 May 2012.

(b) Five highest paid individuals

The positions of the five highest paid individuals throughout the Relevant Periods are as follows:

	Group			**Company**	
				Nine months ended	
	Years ended 31 December			**30 September**	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
Director	1	1	–	–	2
Non-director	4	4	5	5	3
	5	5	5	5	5

Remunerations of the five highest paid individuals are all below HK$1,000,000 during the Relevant Periods and the details of remunerations of those non-director personnel are as follows:

	Group			**Company**	
				Nine months ended	
	Years ended 31 December			**30 September**	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Salaries and allowances	261	256	750	651	310
Defined contribution retirement benefit scheme contributions	9	5	22	12	9
	270	261	772	663	319

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods. No emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office during the Relevant Periods.

11. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

Profit/(loss) before income tax expense is stated after charging/(crediting) the following:

	Group			Company	
	Years ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Inventories recognised as an expense	98,815	123,934	200,825	127,604	177,221
Auditor's remuneration *(note a)*	5	–	102	–	61
Depreciation of property, plant and equipment *(note 15)*	6,326	12,159	14,226	10,226	13,191
Amortisation of payments for leasehold land held for own use under operating leases	362	506	517	387	393
Amortisation of intangible assets *(note 17)*	14	25	50	39	34
Provision for/(reversal of) impairment loss of trade receivables	1,821	1,200	(1,358)	(1,358)	(1,845)
Provision for/(reversal of) impairment loss of inventories	480	27	526	–	(934)
Staff costs, excluding directors'remuneration *(note 10(a))*:					
– Salaries, bonus and allowances	8,234	11,349	19,590	14,390	15,178
– Defined contribution retirement benefit scheme contributions	152	525	1,003	750	1,144

Note:

(a) The remunerations from 2010 to 2013 represent the auditor's remuneration for issuing statutory financial statements of the group entities in the PRC.

12. INCOME TAX EXPENSE

The provision for PRC Enterprise Income Tax (the "EIT") is calculated based on the estimated taxable income as determined by the PRC Enterprise Income Tax Law at the rate applicable for the Relevant Periods. The applicable rate applicable to the group entities in the PRC is 25% throughout the Relevant Periods.

Income tax expense in the statements of comprehensive income represents:

	Group			Company	
	Years ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax - tax for the year/period	4,120	3,072	5,943	432	7,661
Deferred tax – current year/period *(note 19)*	(575)	(307)	208	339	695
Income tax expense	3,545	2,765	6,151	771	8,356

The income tax expense for the Relevant Periods can be reconciled to the profit/(loss) before income tax expense per the consolidated statements of comprehensive income:

	Group			Company	
	Years ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit/(loss) before income tax expense	(4,865)	(4,564)	24,343	2,927	33,289
Tax calculated at the statutory EIT rate of 25%	(1,216)	(1,141)	6,086	732	8,323
Tax effect of expenses not deductible for tax purposes	4,761	3,906	65	39	33
Income tax expense	3,545	2,765	6,151	771	8,356

13. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit/(loss) attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of loss of HK$8,410,000, loss of HK$7,329,000 and profit of HK$18,192,000 for the years ended 31 December 2010, 2011 and 2012 respectively.

14. EARNINGS/(LOSS) PER SHARE

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

	Group			Company	
Earnings/(loss)	Years ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit/(loss) for the year/period attributable to owners of the Company for the purposes of basic and diluted earnings/(loss) per share	(8,410)	(7,329)	18,192	2,156	24,933

Number of shares	Years ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012** (unaudited)	**2013**
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	18,383,562	32,717,808	45,147,541	43,557,991	50,000,000

There was no dilutive potential shares in issue during the Relevant Periods, the amount of diluted earnings/(loss) per share is the same as basic earnings/(loss) per share for the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Building *HK$'000*	Plant and machinery *HK$'000*	Office equipments *HK$'000*	Motor Vehicles *HK$'000*	Con-struction in progress *HK$'000*	Total *HK$'000*
Cost						
At 1 January 2010	19,073	19,549	5,528	4,781	38,381	87,312
Additions	–	29,964	2,462	1,897	14,214	48,537
Reclassification	19,090	13,616	–	–	(32,706)	–
Exchange differences	1,234	1,913	275	232	950	4,604
At 31 December 2010	39,397	65,042	8,265	6,910	20,839	140,453
Additions	–	10,760	2,194	531	7,762	21,247
Exchange differences	1,459	2,570	339	264	888	5,520
At 31 December 2011	40,856	78,372	10,798	7,705	29,489	167,220
Additions	1,821	3,920	4,942	1,169	6,578	18,430
Reclassification	21,493	14,737	–	–	(36,230)	–
Exchange differences	217	421	57	41	163	899
At 31 December 2012	64,387	97,450	15,797	8,915	–	186,549
Additions	128	917	506	14	–	1,565
Exchange differences	1,749	2,654	434	242	–	5,079
At 30 September 2013	66,264	101,021	16,737	9,171	–	193,193
Accumulated depreciation						
At 1 January 2010	617	1,891	1,152	244	–	3,904
Charge for the year	752	3,548	1,257	769	–	6,326
Exchange differences	44	169	78	30	–	321
At 31 December 2010	1,413	5,608	2,487	1,043	–	10,551
Charge for the year	1,276	8,049	1,764	1,070	–	12,159
Exchange differences	71	328	118	55	–	572
At 31 December 2011	2,760	13,985	4,369	2,168	–	23,282
Charge for the year	1,373	9,189	2,467	1,197	–	14,226
Exchange differences	15	74	23	12	–	124
At 31 December 2012	4,148	23,248	6,859	3,377	–	37,632
Charge for the period	1,626	8,304	2,267	994	–	13,191
Exchange differences	130	721	211	102	–	1,164
At 30 September 2013	5,904	32,273	9,337	4,473	–	51,987
Carrying amount						
At 31 December 2010	37,984	59,434	5,778	5,867	20,839	129,902
At 31 December 2011	38,096	64,387	6,429	5,537	29,489	143,938
At 31 December 2012	60,239	74,202	8,938	5,538	–	148,917
At 30 September 2013	60,360	68,748	7,400	4,698	–	141,206

At the end of each of the Relevant Periods, building and certain machineries were pledged to secure the banking facilities and bank borrowings (note 26).

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases (see note 27):

Group and Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Motor vehicles	2,083	1,016	–	–

16. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

Group and Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Leasehold land outside Hong Kong:				
– medium term lease	24,351	24,739	24,356	24,620

As at 31 December 2010 and 2011, interests in leasehold land held for own use under operating leases were pledged to secure the banking facilities and bank borrowings (note 26).

17. INTANGIBLE ASSETS

Group and Company

	Computer software
	HK$'000
Cost	
At 1 January 2010	42
Exchange differences	1
At 31 December 2010	43
Additions	219
Exchange differences	5
At 31 December 2011	267
Exchange differences	1
At 31 December 2012	268
Exchange differences	7
At 30 September 2013	275

	Computer software
	HK$'000
Accumulated amortisation	
At 1 January 2010	9
Charge for the year	14
Exchange differences	1
At 31 December 2010	24
Charge for the year	25
Exchange differences	1
At 31 December 2011	50
Charge for the year	50
Exchange differences	–
At 31 December 2012	100
Charge for the period	34
Exchange differences	3
At 30 September 2013	137
Carrying amount	
At 31 December 2010	19
At 31 December 2011	217
At 31 December 2012	168
At 30 September 2013	138

18. INTEREST IN A SUBSIDIARY

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted investment, at cost	589	976	–	–
Amount due from a subsidiary	5,649	7,628	–	–
	6,238	8,604	–	–

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

Particulars and details of the Company's subsidiary during the Relevant Periods are as follows:

Name of subsidiary	Place and date of incorporation and operation	Registered capital	Percentage of ownership interest directly held by the Company	Principal activities
Yangjiang Hengjia Sand Stone Materials Operating Company Limited 陽江市恒佳沙石材料經營有限公司 ("Hengjia Sand Stone Company")*	30 June 2008, PRC	2010: RMB500,000 2011: RMB800,000 2012: RMB800,000	2010: 100% 2011: 100% 2012: –	Sales of sand, granite, mining of granite for building

* The English name is for identification purpose only.

Hengjia Sand Stone Company which is a limited liability company has been dormant since its establishment. Its registered capital was increased from RMB500,000 to RMB800,000 in 2011. On 20 June 2012, the Company entered into a sale and purchase agreement with an independent third party to dispose of its entire interest in Hengjia Sand Stone Company for a consideration of RMB800,000. No gain or loss has been made by the Group in this transaction.

19. DEFERRED INCOME TAX ASSETS

Group and Company

	Provision for impairment loss of trade receivables	Provision for impairment loss of inventories	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2010	–	–	–
Credited to profit or loss	455	120	575
Exchange differences	13	3	16
At 31 December 2010	468	123	591
Credited to profit or loss	300	7	307
Exchange differences	21	5	26
At 31 December 2011	789	135	924
(Charged)/credited to profit or loss	(339)	131	(208)
Exchange differences	4	1	5
At 31 December 2012	454	267	721
Charged to profit or loss	(461)	(234)	(695)
Exchange differences	7	5	12
At 30 September 2013	–	38	38

20. INVENTORIES

Group and Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	7,539	11,678	14,961	6,450
Work-in-progress	277	165	784	713
Finished goods	5,089	18,265	15,853	15,803
	12,905	30,108	31,598	22,966

A provision of HK$480,000, HK$27,000 and HK$526,000 for the years ended 31 December 2010, 2011 and 2012 were made. The Company reversed HK$934,000 of previous inventories write-down for the nine months ended 30 September 2013. The Company has sold these inventories to customers during the nine months ended 30 September 2013 at original cost. The amount reversed had been included in "cost of sales" in the statement of comprehensive income.

21. TRADE AND NOTES RECEIVABLES

Group and Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	42,562	49,118	138,377	85,821
Allowance for doubtful debts	(1,870)	(3,157)	(1,816)	–
	40,692	45,961	136,561	85,821

The Group generally grants credit terms of 30 days to customers. The aging analysis of trade and note receivables, net of allowance at the end of each of the Relevant Periods, is as follows:

Group and Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	11,630	2,786	32,983	45,501
Within 2 to 3 months	4,652	3,140	84,508	4,515
Over 3 months but within 1 year	17,789	29,027	17,187	35,340
Over 1 year but within 3 years	5,292	9,842	1,883	340
Over 3 years	1,329	1,166	–	125
	40,692	45,961	136,561	85,821

The Group regularly reviews trade receivables for their recoverability.

Allowance on trade receivables is recognised based on estimated recoverable amount by reference to objective evidence of impairment (note 4(h)(i)). In determining the recoverability of trade receivables, the Group monitors any change in the credit quality of trade receivables since the credit was granted and up to the reporting date.

The movements in the allowance for doubtful debts during the Relevant Periods, including both specific and collective loss components, are as follows:

Group and Company

				At 30
		At 31 December		**September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	–	1,870	3,157	1,816
Provision for/(reversal of) impairment loss of trade receivables	1,821	1,200	(1,358)	(1,845)
Exchange differences	49	87	17	29
At the end of the year/period	1,870	3,157	1,816	–

Aging analysis of trade receivables that were past due but not impaired are as follows:

Group and Company

				At 30
		At 31 December		**September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Past due:				
– within 1 month	2,747	2,495	76,819	172
– within 2 to 3 months	2,883	7,273	21,064	8,262
– over 3 months but within 1 year	16,811	23,200	4,090	31,593
– over 1 year but within 3 years	5,292	9,842	1,883	340
– over 3 years	1,329	971	–	125
	29,062	43,781	103,856	40,492

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

As at 31 December 2010 and 2012, certain trade receivables were pledged to secure the banking facilities and bank borrowings (note 26).

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Group

	At 31 December 2010 HK$'000	At 31 December 2011 HK$'000
Other receivables *(note a)*	1,709	7,956
Deposits and prepayments *(note b)*	13,232	21,113
Short-term investment	1,177	–
	16,118	29,069

Company

	At 31 December 2010 HK$'000	At 31 December 2011 HK$'000	At 31 December 2012 HK$'000	At 30 September 2013 HK$'000
Other receivables *(note a)*	1,120	7,346	1,160	35,895
Deposits and prepayments *(note b)*	13,232	21,113	22,680	30,159
Short-term investment	1,177	–	–	–
	15,529	28,459	23,840	66,054

Notes:

(a) Other receivables mainly represent cash advanced to a major supplier.

(b) Deposits and prepayments mainly represent deposits paid to the local government for the land use rights in the PRC and prepayments made to suppliers for purchase of raw materials.

23. AMOUNTS DUE FROM/(TO) RELATED PARTIES

The amount due from/(to) a holding company, subsidiary and related companies are unsecured, interest-free and repayable on demand.

24. CASH AND BANK BALANCES

Group and Company

	At 31 December 2010 HK$'000	At 31 December 2011 HK$'000	At 31 December 2012 HK$'000	At 30 September 2013 HK$'000
Cash and bank balances	950	2,822	830	3,248
Less: pledged bank deposits	–	–	–	1,261
Cash and cash equivalents	950	2,822	830	1,987

Short-term bank deposits and bank balances carry market interest rates ranging from 0.02% to 0.385% per annum in 2010, at 0.5% per annum in 2011, ranging from 0.35% to 0.385% per annum in 2012 and ranging from 0.35% to 0.385% per annum for the nine months period ended 30 September 2013.

As at the end of the Relevant Period, all cash and bank balances of the Company and the Group were placed with banks in the PRC and denominated in RMB which is not a freely convertible currency.

25. TRADE PAYABLES, NOTES PAYABLES AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

Group and Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	12,018	43,800	88,953	128,026
Notes payables	–	4,187	–	–
	12,018	47,987	88,953	128,026
Other payables and accruals	27,496	30,709	5,922	19,945
Deposits received	5,988	12,838	7,801	14,913
	33,484	43,547	13,723	34,858
	45,502	91,534	102,676	162,884

Generally, the average credit terms granted by suppliers to the Group are 30 days. The aging analysis of trade payables at the end of each of the Relevant Periods are as follows:

Group and Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	8,045	34,761	31,873	108,257
Within 2 to 3 months	1,211	2,939	47,169	2,224
Over 3 months but within 1 year	1,444	2,640	8,638	17,545
Over 1 year	1,318	3,460	1,273	–
	12,018	43,800	88,953	128,026

26. BANK BORROWINGS

Group and Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Bank borrowings, secured	25,894	45,528	24,851	9,139
Non-current				
Bank borrowings, secured	21,775	10,375	–	32,773
	47,669	55,903	24,851	41,912

(a) All bank borrowings were denominated in RMB.

(b) The bank borrowings were arranged at floating interest rate. At 31 December 2010, 2011, 2012 and 30 September 2013, weighted average effective interest rate for bank borrowings of 6.13%, 6.99%, 6.91% and 8.51% respectively.

(c) At 31 December 2010, 2011, 2012 and 30 September 2013, the Group's bank borrowing were secured by machinery, buildings and land use rights of HK$40,089,000, HK$24,739,000, HK$15,075,000 and HK$46,525,000 respectively.

(d) At 31 December 2010 and 2012, the bank borrowings were secured by trade receivables of HK$40,692,000 and HK$17,049,000 respectively.

(e) At 31 December 2010, the bank borrowings of HK$33,544,500 were secured by personal guarantee from Mr. Xu dun, a supervisor of the Company and Mr. Lin Zhen Jun, a director of the Company and were also secured by Henjia Industrial, a shareholder of the Company.

At 31 December 2011, the bank borrowings of HK$37,800,000 were secured by personal guarantee from Mr. Xu dun, Mr. Lin Ye Pan, Mr. Lin Zhen Shi, Mr. Lin Zhen Jun and Mr. Xu Jia Yuen, directors of the Company and were also secured by Henjia Industrial, a shareholder of the Company, and Yangjiang City Kaixuanmen Hotel Limited Company, other related party of the Company.

At 31 December 2012, the bank borrowings of HK$24,851,000 were secured by personal guarantee from Mr. Xu dun, Mr. Lin Ye Pan, Mr. Lin Zhen Shi and Mr. Xu Jia Yuen, directors of the Company and were also secured by Henjia Industrial, a shareholder of the Company, and Yangjiang City Kaixuanmen Hotel Limited Company, other related party of the Company.

At 30 September 2013, the bank borrowings of HK$41,912,000 were secured by personal guarantee from Mr. Xu Jia Yuen and Mr. Lin Zhen Shi, Mr. Xu dun, Mr. Lin Ye Pan and Mr. Lin Zhen Jun, directors of the Company. It was also secured by Henjia Industrial, a shareholder of the Company, Yangjiang City Kaixuanmen Hotel Limited Company, other related party of the Company and Zhuhai Hoston, the parent of the Company.

Total current and non-current bank borrowings were scheduled to repay as follows:

Group and Company

	At 31 December			At 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
On demand or within one year	25,894	45,528	24,851	9,139
More than one year, but not exceeding two years	9,416	10,375	–	–
More than two years, but not exceeding five years	12,359	–	–	32,773
	47,669	55,903	24,851	41,912

27. FINANCE LEASE PAYABLE

The Group leases the motor vehicles with lease term of three years. The total future minimum lease payments are due as follows:

Group and Company

	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	1,103	1,016	–	–
Later than one year and not later than five years	980	–	–	–
	2,083	1,016	–	–

28. SHARE CAPITAL

	At 31 December						At 30 September	
	2010		2011		2012		2013	
	Number of share '000	*HK$'000*	*Number of share '000*	*HK$'000*	*Number of share '000*	*HK$'000*	*Number of share '000*	*HK$'000*
Registered/paid-in capital:								
At beginning of year/period	–	11,405	–	34,297	–	–	–	–
Increase in registered capital	–	22,892	–	4,724	–	–	–	–
Reform	–	–	–	(39,021)	–	–	–	–
At end of year/period	–	34,297	–	–	–	–	–	–
Issued and fully paid ordinary shares:								
Ordinary shares of RMB1 each								
At beginning of year/period	–	–	–	–	34,000	39,021	50,000	58,666
Issue of shares	–	–	34,000	39,021	16,000	19,645	–	–
At end of year/period	–	–	34,000	39,021	50,000	58,666	50,000	58,666
Total								
At end of year/period	–	34,297	34,000	39,021	50,000	58,666	50,000	58,666
At beginning of year/period	–	11,405	–	34,297	34,000	39,021	50,000	58,666

As detailed in note 2(c) to the Financial Information, the legal merger was effected by the merger of paid-in capital of the Company with the Merged Companies. By a shareholders' resolution passed on 31 July 2010, the registered capital of the Company was increased from RMB10,000,000 to RMB30,000,000. The RMB20,000,000 increase of registered capital was satisfied by the merger of the paid-in capital of the

Merged Companies in an aggregate of RMB20,000,000. The Merged Companies were dissolved on 16 September 2010 upon the completion of the merger.

By a shareholders' resolution passed on 14 February 2011, the registered capital of the Company was increased from RMB30,000,000 to RMB34,000,000 by an increase of RMB4,000,000 registered capital subscribed and fully paid by the equity holders based on their shareholdings existing immediately before the increase.

On 9 May 2011, the Company undertook a constitutional reform under which the Company changed its status from a limited liability company by registered capital to a limited liability company by shares. This was effected by converting its paid-in capital into ordinary shares in a ratio of RMB1 paid-in capital to 1 ordinary share of RMB1 per share. As a result, 34,000,000 ordinary shares of RMB1 per share were created and fully paid by the RMB34,000,000 of paid-in capital.

A further shareholders' resolution was passed on 20 April 2012, the registered share capital of the Company was increased from RMB34,000,000 divided into 34,000,000 ordinary shares of RMB1 each to RMB50,000,000 by the creation of a further 16,000,000 ordinary shares of RMB1 each. All new shares rank pari passu in all respects with the existing shares of the Company.

29. CAPITAL RESERVE

Capital reserve represented capital injection from shareholders for payments for leasehold land held for own use under operating leases in the PRC.

30. RELATED PARTY TRANSACTIONS

During the year/period, the Group and the Company entered into the following transactions with related parties:

(a) Transactions with related parties

		Transaction amount				
		Group			Company	
Related party relationship	Type of transaction	Years ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Holding company	Purchase of raw materials	–	–	9,271	–	18,755
	Interest expense recharge	–	–	71	–	164
Other related companies	Sales	–	–	16	–	–
	Purchase of raw materials	334	–	–	–	
	Settlement of amount due to other related parties by transfer of trade receivables	–	–	–	–	76,785
Director	Sales	–	–	–	–	10,786

The related companies mainly represent entities controlled by Mr. Xu Dun and Mr. Lin Zhun Jun, directors of the Company.

(b) Balance with related parties

Group	At 31 December	
	2010	2011
	HK$'000	*HK$'000*
Amounts due from		
– holding companies	5,060	7,994
Amounts due to		
– holding companies	429	445
– other related parties	86,274	87,151
	86,703	87,596

Company	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from				
– holding company	–	–	–	1,020
– directors	–	–	–	1,353
– subsidiary	5,649	7,628	–	–
– other related parties	–	–	16	17
	5,649	7,628	16	2,390
Amounts due to				
– holding companies	1,018	445	25,794	–
– other related parties	86,274	87,151	124,696	29,010
	87,292	87,596	150,490	29,010

As disclosed in note 26(e), at the end of each of the Relevant Period, the related parties provide guarantee to the Group and the Company for secure the bank borrowing.

(c) Compensations to key management personnel

Directors and supervisors are regarded as the key management personnel of the Group and compensations to whom are disclosed in note 10 to the Financial Information.

31. DISPOSAL OF A SUBSIDIARY

On 27 September 2012, the Group disposed of its entire 100% interests in a wholly-owned subsidiary, Hengjia Sand Stone Company to an independent third party for a consideration of RMB800,000.

The net assets of this subsidiary at the date of disposal were as follows:

	HK$'000
Cash consideration received *(note 37)*	–
Analysis of assets and liabilities over which control was lost:	
Other receivables	610
Amount due from a shareholder	8,104
Amount due to a holding company	(7,738)
Net assets disposed of:	976
Gain/(loss) on disposal of subsidiary:	
Consideration received	976
Net assets disposed of	976
	–

32. CAPITAL COMMITMENTS

At 31 December 2010 and 2011, the Group and the Company had capital commitment of HK$13,907,000 and HK$6,542,000 respectively, contracted but not provided for in respect of acquisition of property, plant and equipment.

33. DEFINED CONTRIBUTION RETIREMENT BENEFIT SCHEME

The employees of the Group are the members of a defined contribution retirement benefit scheme operated by a local municipal government of the PRC. The Group and the employees are required to make contributions to the scheme at the rates based on certain percentages of the employees' basic salaries in accordance with the relevant regulations in the PRC. The percentage of contribution made ranges from 0.3% to 15% for the years ended 2010, 2011, 2012 and the nine months ended 30 September 2013 respectively. The contributions are recognised in profit or loss as incurred. The only obligation of the Group with respect to the scheme is to make the required contributions. Forfeited contributions are not available to reduce future contributions payable by the Group.

34. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Group's ability to continue as a going concern. The capital structure of the Group consists of debts, which includes the bank borrowings (note 26), bank balances and cash (note 24) and equity attributable to owners of the Company, comprising share capital (note 28), reserves and retained earnings as disclosed in the statement of changes in equity respectively.

The Company's capital structure is regularly reviewed and managed with regard to the capital management practices. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group.

The gearing ratio at the end of each of the Relevant Periods was as follows:

	Group		Company	
	At 31 December		At 31 December	At 30 September
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings *(note 26)*	47,669	55,903	24,851	41,912
Bank balances and cash *(note 24)*	(950)	(2,822)	(830)	(3,248)
Net debts	46,719	53,081	24,021	38,664
Equity attributable to owners of the Company	43,936	43,008	81,065	108,467
Net debts to equity ratio	106%	123%	30%	36%

35. FINANCIAL RISK MANAGEMENT

The Group is mainly exposed to credit risk, liquidity risk, interest rate risk, foreign currency risk in its normal course of business. These risks are managed and mitigated by the Group through its conservative financial management policies and practices described below.

(a) Credit risk and liquidity risk

The Group's credit risk is primarily attributable to its trade receivables and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Individual credit evaluation is performed on all customers requiring credit over a certain amount. The evaluation focuses on the customers' past history of repayments and current ability to pay, and take account of the information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of customers with outstanding balances to the Group. Normally, the Group does not require collateral from customers but requires customers to make deposits before goods delivery.

At the end of the each of Relevant Period, the Company had concentration of credit risk of 13.72%, 14.39%, 10.63% and 5.64% and 33.16%, 43.72%, 32.93% and 16.59% to total trade and notes receivables and other receivables and were due from the Company's largest customer and the five largest customers respectively.

The Group's exposure to credit risk arising from trade and notes receivables and other receivables are set out in notes 21 and 22 to the Financial Information.

The Group does not provide any guarantees which would expose it to credit risk.

The Group's policy is to regularly monitor its liquidity requirements to ensure sufficient reserves of cash and adequate committed lines of funding from major financial institutions in the short term.

The following table details the remaining contractual maturities at the end of each of the Relevant Periods of the Group in respect of its non-derivative financial liabilities which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

Group	**Carrying amount**	**Total contractual un-discounted cash flows**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2010					
Trade payables and notes payables	12,018	12,018	12,018	–	–
Other payables and accruals	24,880	24,880	24,880	–	–
Bank borrowings	47,669	51,032	28,313	10,360	12,359
Finance lease payable	2,083	2,225	1,212	1,013	–
Amount due to related parties	86,703	86,703	86,703	–	–
	173,353	176,858	153,126	11,373	12,359

Company	**Carrying amount**	**Total contractual un-discounted cash flows**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2010					
Trade payables and notes payables	12,018	12,018	12,018	–	–
Other payables and accruals	24,880	24,880	24,880	–	–
Bank borrowings	47,669	51,032	28,313	10,360	12,359
Finance lease payable	2,083	2,225	1,212	1,013	–
Amount due to related parties	87,292	87,292	87,292	–	–
	173,942	177,447	153,715	11,373	12,359

Group and Company	**Carrying amount**	**Total contractual un-discounted cash flows**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2011					
Trade payables and notes payables	47,987	47,987	47,987	–	–
Other payables and accruals	28,007	28,007	28,007	–	–
Bank borrowings	55,903	57,100	46,725	10,375	–
Finance lease payable	1,016	1,050	1,050	–	–
Amount due to related parties	87,596	87,596	87,596	–	–
	220,509	221,740	211,365	10,375	–

Company	Carrying amount	Total contractual un-discounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2012					
Trade payables and notes payables	88,953	88,953	88,953	–	–
Other payables and accruals	3,238	3,238	3,238	–	–
Bank borrowings	24,851	26,012	26,012	–	–
Amount due to related parties	150,490	150,490	150,490	–	–
	267,532	268,693	268,693	–	–

Company	Carrying amount	Total contractual un-discounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 September 2013					
Trade payables and notes payables	128,026	128,026	128,026	–	–
Other payables and accruals	13,461	13,461	13,461	–	–
Bank borrowings	41,912	48,156	12,178	3,039	32,939
Amount due to related parties	29,010	29,010	29,010	–	–
	212,409	218,653	182,675	3,039	32,939

(b) Interest rate risk

The Group is exposed to interest rate risk due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly bank deposits, which are mostly short-term in nature whereas interest-bearing financial liabilities are primarily bank borrowings (note 26). The Group's fair value interest-rate risk mainly relates to fixed-rate bank borrowings (note 26). The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation on the rate determined by the People's Bank of China arising from the Group's bank borrowings denominated in Renminbi.

The Group has not used any derivative financial instruments to hedge potential fluctuations in interest rates. However, management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

Sensitivity analysis

During the Relevant Periods, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Company's profit after income tax expense for the years ended 31 December 2010, 2011, 2012 and for the nine months ended 30 September 2013 and the retained earnings for the respective year/period then ended by approximately HK$94,000, HK$124,000, HK$16,000 and HK$117,000.

The sensitivity analysis above has been determined based on the exposure to interest rates for bank borrowings at the end of each of the Relevant Periods arranged at floating market interest rate. The analysis is prepared by assuming the amount of liabilities outstanding at the end of the Relevant Periods was outstanding for the whole year/period. A 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the Relevant Periods until the next annual reporting date.

(c) Foreign currency risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in Renminbi and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities at the end of each of the Relevant Periods are categorised as follows:

Group

	At 31 December 2010	At 31 December 2011
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including bank balances and cash)	49,588	64,733
Financial liabilities		
Financial liabilities measured at amortised cost	173,353	220,509

Company

	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including bank balances and cash)	49,588	63,757	138,567	127,353
Financial liabilities				
Financial liabilities measured at amortised cost	173,942	220,509	267,532	212,409

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities in the Financial Information approximate their fair values at the end of each of the Relevant Periods.

37. MAJOR NON CASH TRANSACTIONS

For the year ended 31 December 2012, consideration of HK$976,000 in respect of the disposal of a subsidiary was received by a supplier in order to settle trade payable to the supplier.

As disclosed under financing activities of the statement of cash flow for the nine months ended 30 September 2013, part of the decrease in amounts due to related parties amounting to approximately HK$76,785,000 was satisfied through transferring the equivalent amount of trade receivables to a related party.

38. SUBSEQUENT EVENT

There is no material subsequent event after 30 September 2013.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial Information has been prepared for the Company in respect of any period subsequent to 30 September 2013.

THE TARGET GROUP

Set out below are the respective management discussion and analysis on (A) the Target Group; (B) the Zhuhai Hoston Group; and (C) Guangdong Hengjia.

(A) Target Group

For the periods from 1 January 2010 to 31 December 2010, from 1 January 2011 to 31 December 2011, from 1 January 2012 to 31 December 2012 and from 1 January 2013 to 30 September 2013

Financial and business review

The following is the consolidated financial information of the Target Group for the periods from 1 January 2010 to 31 December 2010, from 1 January 2011 to 31 December 2011, from 1 January 2012 to 31 December 2012 and from 1 January 2013 to 30 September 2013, which is extracted from the audited financial statements of the Target Company prepared in accordance with Hong Kong Financial Reporting Standards:

Target Group

	Year ended 31 December			**Nine months ended 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	–	–	–	404,590
Net profit/(loss) before taxation	(414)	84	119,980	44,820
Net profit/(loss) after taxation	(414)	84	119,980	33,608

The net loss after taxation of the Target Group was approximately HK$414,000 for the year ended 31 December 2010, and the net profits after taxation of the Target Group were approximately HK$84,000 and HK$119,980,000 for the year ended 31 December 2011 and 2012 respectively. The increase in net profit of the Target Group in 2012 as compared with that of 2011 and 2010 was mainly due to (i) gain of approximately HK$110 million from remeasuring previously held interest in the Zhuhai Hoston Group based on the fair value of the Zhuhai Hoston Group at the date of acquisition by the HK Company; (ii) gain of approximately HK$11.4 million from bargain purchase arising from the acquisition of Guangdong Hengjia; and (iii) share of profit from Zhuhai Hoston Group under the equity method amounting to approximately HK$7.4 million. As the Target Company and the HK Company are investment holding companies, the performance of the Target Group for the nine months ended 30 September 2013 is mostly determined by the respective performance of Zhuhai Hoston and Guangdong Hengjia, during which period the net profit after taxation was approximately HK$33,608,000.

Capital structure, liquidity and financial resources

Total assets of the Target Group were approximately HK$20,950,000, HK$21,496,000 and HK$650,197,000 as at 31 December 2010, 2011 and 2012. The total assets as at 30 September 2013 was approximately HK$620,243,000, which mainly includes property, plant and equipment, goodwill, and trade and notes receivables of approximately HK$180,430,000, HK$102,135,000 and HK$167,734,000 respectively.

Total liabilities of the Target Group were approximately HK$6,281,000, HK$6,303,000 and HK$440,927,000 as at 31 December 2010, 2011 and 2012. The total liabilities as at 30 September 2013 was approximately HK$409,060,000, which mainly includes trade and note payables and other payables of approximately HK$138,754,000 and HK$92,782,000 respectively.

The net assets of the Target Group were approximately HK$14,669,000, HK$15,193,000, HK$209,270,000 and HK$211,183,000 as at 31 December 2010, 2011 and 2012, and 30 September 2013. The gearing ratios, which were computed by dividing the current liabilities and long term liabilities by shareholders' equity, were approximately 42.82%, 41.49%, 210.70% and 193.70% for the relevant periods.

Charge on assets

At as 31 December 2010 and 2011, the Target Group had no charge on assets. As at 31 December 2012 and 30 September 2013, the amount of bank deposits, trade receivables, other receivables, inventories, property, plant and equipment, payments for leasehold land held for own use under operating leases which were provided as securities for bank borrowing of the Target Group amounted to approximately HK$109,892,000 and HK$108,492,000 respectively.

Significant investments, material acquisitions and disposals of subsidiaries

During the periods under review, the material acquisitions by the Target Group were the acquisitions of the 25.4% equity interest and the 44.6% equity interest in Zhuhai Hoston by the HK Company in December 2012 and March 2013, respectively, to reach 95% equity interest in Zhuhai Hoston, and the acquisition of 70% equity interest in Guangdong Hengjia by Zhuhai Hoston in November 2012. Save as disclosed above, the Target Group did not have any other significant investments or disposals of subsidiaries.

Contingent liabilities and capital commitment

During the periods under review, the Target Group had no significant contingent liabilities and capital commitment.

Foreign exchange exposures

The Target Group has a net exchange exposure to RMB as the Target Group's assets are principally located in the PRC.

The Target Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. The Target Group will study the feasibility of entering into additional foreign currency forward contracts to mitigate the risk.

Employees and remuneration policies

During the periods under review, the Target Company and the HK Company, being investment holding companies, had no employees. Zhuhai Hoston had 66, 69, 68 and 57 employees as at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively. Guangdong Hengjia had 81, 491, 553 and 453 employees as at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively.

Dividend

During the periods under review, the Target Company did not declare or pay any dividend.

(B) Zhuhai Hoston Group

For the periods from 1 January 2010 to 31 December 2010, from 1 January 2011 to 31 December 2011, from 1 January 2012 to 31 December 2012 and from 1 January 2013 to 30 September 2013

Financial and business review

The following is the consolidated financial information of the Zhuhai Hoston Group for the periods from 1 January 2010 to 31 December 2010, from 1 January 2011 to 31 December 2011, from 1 January 2012 to 31 December 2012 and from 1 January

2013 to 30 September 2013, which is extracted from the audited financial statements of Zhuhai Hoston prepared in accordance with Hong Kong Financial Reporting Standards:

Zhuhai Hoston Group

	Year ended 31 December			**Nine months ended 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	233,895	288,121	255,794	404,590
Net profit/(loss) before taxation	(2,052)	716	34,490	45,965
Net profit/(loss) after taxation	(1,562)	428	31,025	34,478

The net loss after taxation of the Zhuhai Hoston Group was approximately HK$1,562,000 for the year ended 31 December 2010, and the net profits after taxation of the Zhuhai Hoston Group were approximately HK$428,000 and HK$31,025,000 for the year ended 31 December 2011 and 2012 respectively. The increase in net profit of the Zhuhai Hoston Group in 2012 as compared to 2011 and 2010 was mainly due to (i) the decrease in raw materials prices as reflected in the improvement of gross margin of the Zhuhai Hoston Group of approximately 8.99% in 2012 as compared to approximately 3.88% in 2011 and approximately 4.10% in 2010, which also resulted in decreased sales price and thus the revenue in 2012; (ii) gain of approximately HK$21 million on bargain purchase arising from the acquisition of Guangdong Hengjia in November 2012; (iii) gain of approximately HK$4.2 million derived from the reversal of impairment loss of trade receivables and compensation from suppliers; and (iv) the inclusion of Guangdong Hengjia's result for a month ended 31 December 2012 amounting to approximately HK$5.9 million in the consolidated net profit before tax of Zhuhai Hoston. As the aforesaid gain from bargain purchase was an one-off item which only occurred in 2012, the profit margin for the nine months ended 30 September 2013 of approximately 8.52% has decreased as compared to the year ended 31 December 2012, which was approximately 12.13%.

Capital structure, liquidity and financial resources

Total assets of the Zhuhai Hoston Group were approximately HK$152,252,000, HK$184,882,000 and HK$526,627,000 as at 31 December 2010, 2011 and 2012. The total assets as at 30 September 2013 was approximately HK$518,635,000, which mainly includes property, plant and equipment and trade and note receivables of approximately HK$183,711,000 and HK$167,734,000 respectively.

Total liabilities of the Zhuhai Hoston Group were approximately HK$102,318,000, HK$139,255,000 and HK$400,247,000 as at 31 December 2010, 2011 and 2012. The total liabilities as at 30 September 2013 was approximately HK$351,958,000, which mainly includes trade and note payables and other payables of approximately HK$167,734,000 and HK$87,649,000 respectively.

The net assets of the Zhuhai Hoston Group were approximately HK$49,934,000, HK$45,627,000, HK$126,380,000 and HK$166,677,000 as at 31 December 2010, 2011 and 2012, and 30 September 2013. The gearing ratios, which were computed by dividing the current liabilities and long term liabilities by shareholders' equity, were approximately 204.91%, 305.20%, 313.05% and 208.69% for the relevant periods.

Charge on assets

As at 31 December 2010, 2011 and 2012 and 30 September 2013, the amount of bank deposits, trade receivables, other receivables, inventories, property, plant and equipment, payments for leasehold land held for own use under operating leases which were provided as securities for bank borrowing of the Zhuhai Hoston Group amounted to approximately HK$71,664,000, HK$122,689,000, HK$109,892,000 and HK$108,492,000 respectively.

Significant investments, material acquisitions and disposals of subsidiaries

During the periods under review, the material acquisitions by the Zhuhai Hoston Group were the acquisition of 70% equity interest in Guangdong Hengjia in November 2012. Save as disclosed above, the Zhuhai Hoston Group did not have any other significant investments or disposals of subsidiaries.

Contingent liabilities and capital commitment

During the periods under review, the Zhuhai Hoston Group had no significant contingent liabilities and capital commitment.

Foreign exchange exposures

The Zhuhai Hoston Group has a net exchange exposure to RMB as the Zhuhai Hoston Group's assets are principally located in the PRC.

The Zhuhai Hoston Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. The Zhuhai Hoston Group will study the feasibility of entering into additional foreign currency forward contracts to mitigate the risk.

Employees and remuneration policies

Zhuhai Hoston had 66, 69, 68 and 57 employees as at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively. Guangdong Hengjia had 81, 491, 553 and 453 employees as at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively.

Dividend

During the periods under review, Zhuhai Hoston did not declare or pay any dividend.

(C) Guangdong Hengjia

For the periods from 1 January 2010 to 31 December 2010, from 1 January 2011 to 31 December 2011, from 1 January 2012 to 31 December 2012 and from 1 January 2013 to 30 September 2013

Financial and business review

The following is the financial information of Guangdong Hengjia for the periods from 1 January 2010 to 31 December 2010, from 1 January 2011 to 31 December 2011, from 1 January 2012 to 31 December 2012 and from 1 January 2013 to 30 September 2013, which is extracted from the audited financial statements of Guangdong Hengjia prepared in accordance with Hong Kong Financial Reporting Standards:

Guangdong Hengjia

	Year ended 31 December			**Nine months ended 30 September**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	104,047	138,192	247,599	226,990
Net profit/(loss) before taxation	(4,865)	(4,564)	24,343	33,289
Net profit/(loss) after taxation	(8,410)	(7,329)	18,192	24,933

The net losses after taxation of Guangdong Hengjia were approximately HK$8,410,000 and HK$7,329,000 for the year ended 31 December 2010 and 2011 respectively, and the net profits after taxation of Guangdong Hengjia were approximately HK$18,192,000 and HK$24,933,000 for the year ended 31 December 2012 and for the nine months ended 30 September 2013 respectively. The revenue and net profit of Guangdong Hengjia for the year ended 31 December 2012 and the nine months ended 30 September 2013 have recorded significant boost as compared to the year ended 31 December 2010 and 2011 due to (i) the new production line that came into use in 2012; (ii) the rise in prices of aerated bricks driven by stronger market demand; (iii) the increase in proportion of the aerated bricks to other products in Guangdong Hengjia's product mix; (iv) the changes and upgrades of the production lines to improve the production efficiency; and (v) the utilization of idle production capacity to lower the average fixed cost and to achieve economies of scale. The aforesaid business developments also contributed to the turnaround of the net loss of Guangdong Hengjia recorded for the year ended 31 December 2010 and 2011 to positive profit margin, which went from approximately 7.35% for the year ended 31 December 2012 to approximately 10.98% for the nine months ended 30 September 2013.

Capital structure, liquidity and financial resources

Total assets of Guangdong Hengjia were approximately HK$231,177,000, HK$285,772,000 and HK$367,007,000 as at 31 December 2010, 2011 and 2012. The total assets as at 30 September 2013 was approximately HK$346,481,000, which mainly includes property, plant and equipment and trade and note receivables of approximately HK$141,206,000 and HK$85,821,000 respectively.

Total liabilities of Guangdong Hengjia were approximately HK$187,241,000, HK$242,764,000 and HK$285,942,000 as at 31 December 2010, 2011 and 2012. The total liabilities as at 30 September 2013 was approximately HK$238,014,000, which mainly includes trade and note payables and other payables of approximately HK$128,026,000 and HK$34,858,000 respectively.

The net assets of Guangdong Hengjia were approximately HK$43,936,000, HK$43,008,000, HK$81,065,000 and HK$108,467,000 as at 31 December 2010, 2011 and 2012, and 30 September 2013. The gearing ratios, which were computed by dividing the current liabilities and long term liabilities by shareholders' equity, were approximately 426.17%, 564.46%, 352.73% and 219.43% for the relevant periods.

Charge on assets

As at 31 December 2010, 2011 and 2012 and 30 September 2013, the amount of machinery, buildings and land use rights and accounts receivables which were provided as securities for bank borrowing of Guangdong Hengjia amounted to approximately HK$80,781,000, HK$24,739,000, HK$32,124,000 and HK$46,525,000 respectively.

Significant investments, material acquisitions and disposals of subsidiaries

During the periods under review, the material acquisitions by Guangdong Hengjia were the acquisition of 70% equity interest in Guangdong Hengjia in November 2012. Save as disclosed above, Guangdong Hengjia did not have any other significant investments or disposals of subsidiaries.

Contingent liabilities and capital commitment

During the periods under review, Guangdong Hengjia had no significant contingent liabilities and capital commitment.

Foreign exchange exposures

Guangdong Hengjia has a net exchange exposure to RMB as its assets are principally located in the PRC.

Guangdong Hengjia manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. Guangdong Hengjia will study the feasibility of entering into additional foreign currency forward contracts to mitigate the risk.

Employees and remuneration policies

Guangdong Hengjia had 81, 491, 553 and 453 employees as at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively.

Dividend

During the periods under review, Guangdong Hengjia did not declare or pay any dividend.

Tel: +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the illustrative and unaudited pro forma financial information of the Enlarged Group ("Unaudited Pro Forma Financial Information"), including the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated income statement, unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, which have been prepared to illustrate the effect of the Acquisition, as if it had taken place on 30 September 2013 for the unaudited pro forma consolidated statement of financial position and as if they had taken place on 1 October 2012 for the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, results of operations and cash flows of the Group had the Acquisition been completed as at 30 September 2013 or 1 October 2012, where applicable, or any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

(I) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

		Pro forma adjustments				
	Audited consolidated statement of financial position of the Group as at 30 September 2013	Audited consolidated statement of financial position of the Target Group as at 30 September 2013	Other pro forma adjustments		Unaudited pro forma consolidated statement of financial position of the Enlarged Group	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2, 3*	*Note 4*	*Note 5*	*Note 8*	
ASSETS						
Non-current assets						
Property, plant and equipment	430,152	180,430		7,995		618,577
Investment properties	91,432	–				91,432
Payments for leasehold land held for own use under operating leases	67,281	35,838		213		103,332

	Audited consolidated statement of financial position of the Group as at 30 September 2013	Pro forma adjustments: Audited consolidated statement of financial position of the Target Group as at 30 September 2013	Pro forma adjustments: Other pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2, 3*	*Note 4*	*Note 5*	*Note 8*	
Intangible assets	–	138				138
Goodwill	–	102,135		87,260		189,395
Deferred income tax assets	–	458				458
Investment in subsidiaries	–	–	319,880	(319,880)		–
Interest in a jointly-controlled entity	2,072	–				2,072
Available-for-sale financial assets	2,373	–	28,040			30,413
Deposits paid for acquisition of property, plant and equipment	731	–				731
	594,041	318,999				1,036,548
Current assets						
Inventories	251,140	35,094				286,234
Trade receivables and bill receivables	205,478	167,734				373,212
Prepayments, deposits and other receivables	21,113	87,649				108,762
Pledged bank deposit	–	2,878				2,878
Cash and cash equivalents	148,055	7,889			(3,914)	152,030
	625,786	301,244				923,116
Total assets	1,219,827	620,243				1,959,664

(II) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

		Pro forma adjustments				
	Audited consolidated statement of financial position of the Group as at 30 September 2013	Audited consolidated statement of financial position of the Target Group as at 30 September 2013	Other pro forma adjustments		Unaudited pro forma consolidated statement of financial position of the Enlarged Group	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2, 3*	*Note 4*	*Note 5*	*Note 8*	
EQUITY						
Issued capital	101,600	–				101,600
Reserves	354,873	168,939	148,671	(168,939)	(3,914)	499,630
Equity attributable to equity holders of the parent	456,473	168,939				601,230
Non-controlling interests	–	42,244		(1,299)		40,945
	456,473	211,183				642,175
LIABILITIES						
Non-current liabilities						
Deferred tax liabilities	56,245	3,947		2,052		62,244
Bank borrowing	–	32,773				32,773
Promissory note	–	–	71,088			71,088
Provision of long service payment	689	–				689
Cash consideration payable	–	–	128,161			128,161
Other borrowing	154,377	–				154,377
	211,311	36,720				449,332
Current liabilities						
Trade payables	121,330	138,754				260,084
Other payables and accruals	69,484	92,782				162,266
Due to a director	5,908	–				5,908
Due to related parties	–	57,224		(56,226)		998
Interest-bearing bank borrowings	325,535	78,769				404,304
Tax payable	29,786	4,811				34,597
	552,043	372,340				868,157
Total liabilities	763,354	409,060				1,317,489
Net current asset/(liabilities)	73,743	(71,096)				54,959
Total equity and liabilities	1,219,827	620,243				1,959,664

(III) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group

		Pro forma adjustments			
	Audited consolidated income statement of the Group for the year ended 30 September 2013	Audited consolidated income statement of the Target Group for the year ended 31 December 2012	Other pro forma adjustments		Unaudited pro forma consolidated income statement of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2, 3*	*Note 7*	*Note 8*	
Revenue	788,347	–			788,347
Cost of sales	(864,185)	–	(1,846)		(866,031)
Gross loss	(75,838)	–			(77,684)
Other income	29,096	112,610			141,706
Selling and distribution expenses	(12,749)	–			(12,749)
Administrative expenses	(95,018)	(71)		(3,914)	(99,003)
Other operating expenses	(4,234)	–			(4,234)
Operating loss	(158,743)	112,539			(51,964)
Finance costs	(40,372)	–	(22,037)		(62,409)
Share of profit from an associate	–	7,441			7,441
Share of loss of a jointly-controlled entity	(7,561)	–			(7,561)
Loss before income tax	(206,676)	119,980			(114,493)
Income tax expense	(6,647)	–	461		(6,186)
Loss for the year attributable to equity holders of the Company	(213,323)	119,980			(120,679)

(IV) Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group

		Pro forma adjustments			
	Audited consolidated statement of comprehensive income the Group for the year ended 30 September 2013	Audited consolidated statement of comprehensive income the Target Group for the year ended 31 December 2012	Other pro forma adjustments		Unaudited pro forma consolidated income statement of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2, 3*	*Note 7*	*Note 8*	
Loss for the year	(213,323)	119,980	(23,422)	(3,914)	(120,679)
Other comprehensive income					
Items may be reclassified to the consolidated statement of comprehensive income in subsequent periods:					
Available-for-sale investment:					
Change in value	3,541	–			3,541
Reclassification adjustment for loss on disposal included in the consolidated income statement	(1,295)	–			(1,295)
	2,246	–			2,246
Exchange differences on translation of foreign operations	17,694	(2,903)			14,791
	19,940	(2,903)			17,037
Items may not to be reclassified to the consolidated statement of comprehensive income in subsequent periods:					
Revaluation of items of property, plant and equipment, net of tax	28,456	–			28,456
Surplus on revaluation of items of property, plant and equipment transferred to investment properties	15,784	–			15,784
	44,240	–			44,240
Other comprehensive income for the year, net of tax	64,180	(2,903)			61,277
Total comprehensive (loss)/income for the year, net of tax attributable to equity holders of the Company	(149,143)	117,077			(59,402)

(V) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

		Pro forma adjustments				
	Audited consolidated statement of cash flows of the Group for the year ended 30 September 2013	Audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2012	Other pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2, 3*	*Note 7*	*Note 8*	*Note 9*	
Cash flows from operating activities						
(Loss)/profit before tax	(206,676)	119,980	(23,883)	(3,914)		(114,493)
Adjustments for						
Depreciation	89,009	–	1,841			90,850
Amortisation of prepaid land lease payments	1,858	–	5			1,863
Loss on disposal of available-for-sale investment	1,295					1,295
Bank and other interest income	(2,707)	–				(2,707)
Dividend income from available-for-sale investment	(244)	–				(244)
Fair value gains of investment properties	(4,164)	–				(4,164)
Finance costs	40,372	–	22,037			62,409
Share of profit of an associate	–	(7,441)				(7,441)
Reclassification adjustment of foreign exchange reserve upon step acquisition of subsidiaries	–	(2,980)				(2,980)
Gain on re-measurement of interest in an associate	–	(109,630)				(109,630)
Reversal of impairment of trade receivables, net	(7,521)	–				(7,521)
Impairment of other receivables	2,029	–				2,029
Impairment of amount due from a jointly-controlled entity	331	–				331
Reversal of write-down of inventories to net realizable value, net	(10,768)	–				(10,768)
Reversal of long service payment, net	(53)	–				(53)
Equity-settled share option expenses	1,986	–				1,986
Share of loss of a jointly-controlled entity	7,561	–				7,561
	(87,692)	(71)				(91,677)

	Audited consolidated statement of cash flows of the Group for the year ended 30 September 2013	Audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2012	Pro forma adjustments: Other pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2, 3*	*Note 7*	*Note 8*	*Note 9*	
Decrease in inventories	53,223	–				53,223
Increase in trade receivables	(49,462)	–				(49,462)
Decrease/(increase) in prepayments, deposits and other receivables	1,551	(31)				1,520
Decrease in trade payables	(30,485)	–				(30,485)
Increase in other payables and accruals	35,945	477				36,422
Increase in amount due to a director	3,227	–				3,227
Cash generated from/(used in) operations	(73,693)	375				(77,232)
Interest received	2,707	–				2,707
Interest paid	(40,372)	–				(40,372)
PRC tax paid	(4,764)	–				(4,764)
Net cash generated from/(used in) operating activities	(116,122)	375				(119,661)
Cash flows from investing activities						
Purchases of items of property, plant and equipment	(14,981)	–				(14,981)
Proceeds from disposal of available-for-sale investment	5,008	–				5,008
Acquisition of subsidiaries	–	–			15	15
Capital injection to Zhuhai Hoston	–	(18,953)				(18,953)
Dividend income from available-for-sale investment	244	–				244
Decrease in pledged time deposits	16,354	–				16,354
Loan repayment from independent third parties	155,918	–				155,918
Net cash from/(used in) investing activities	162,543	(18,953)				143,605

	Audited consolidated statement of cash flows of the Group for the year ended 30 September 2013	Pro forma adjustments: Audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2012	Other pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2, 3*	*Note 7*	*Note 8*	*Note 9*	
Cash flows from financing activities						
Decrease in trust receipt loans	(4,261)	–				(4,261)
New bank loans	418,789	–				418,789
Repayment of bank loans	(739,157)	–				(739,157)
Increase in amount due to related party	–	36,249				36,249
Prepayment for acquisition of additional equity interest of a subsidiary	–	(12,500)				(12,500)
Loan advanced from an independent third parties	154,377	–				154,377
Net cash (used in)/from financing activities	(170,252)	23,749				(146,503)
Net (decrease)/increase in cash and cash equivalents	(123,831)	5,171				(122,559)
Cash and cash equivalents at beginning of year	270,573	15				270,588
Effect of foreign exchange rate changes	1,313	–				1,313
Cash and cash equivalents at end of year	148,055	5,186				149,342

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The unadjusted audited consolidated statement of financial position of the Group as at 30 September 2013, the unadjusted audited consolidated income statement, the unadjusted audited consolidated statement of comprehensive income and the unadjusted audited consolidated statement of cash flows of the Group for the year ended 30 September 2013 are extracted from the published annual report of the Company for the year ended 30 September 2013.

2. The audited consolidated statement of financial position of the Target Group as at 30 September 2013, the unadjusted audited consolidated income statement, the unadjusted audited consolidated statement of comprehensive income and the unadjusted audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2012 are extracted from the financial information of the Target Group as set out in Appendix II A to this circular.

3. For the purposes of preparing the unaudited pro forma consolidated statement of financial position, the translation of RMB to HK$ was made at a rate of RMB1 to HK$1.2605. For the purposes of preparing the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, the translation of RMB to HK$ was made at a rate of RMB1 to HK$1.2407.

4. Pursuant to the sale and purchase agreement entered between the Company and Mr. Xiao Guang ("the Vendor") and the supplementary agreement signed on 28 March 2014, the adjustment represents the consideration of the Acquisition in aggregate of HK$550 million, which will be settled in the following manner:

   (i) HK$150 million of the consideration shall be paid in cash after 18 months from the date of completion of the Acquisition ("Cash Consideration Payable") upon Completion of the Acquisition with reference to a professional valuation conducted by Peak Vision Appraisals Limited, the fair value of the cash consideration payable was estimated to be HK$128,161,000 and is recorded under non-current liabilities as consideration payable. The fair value of the cash consideration is determined by using discounted cash flow method, with the following key assumptions:

Time to maturity	18 months
Discount rate	11.06% p.a.

   (ii) HK$300 million of the consideration shall be settled by the issuance of zero coupon Convertible Notes with a principal amount of HK$300 million by the Company to the Vendor on Completion. Upon the Maturity Date, any Convertible Notes not being redeemed or converted shall be automatically converted into Shares at the Conversion Price of HK$0.3 per share subject to compliance with the Listing Rules and the Takeovers Code. For accounting purpose the Convertible Notes were classified as equity. With reference to a professional valuation conducted by Peak Vision Appraisals Limited, the fair value was estimated to be HK$148,671,000 and is recorded under equity as reserves.

   The fair value of the equity component of Convertible Notes are determined by using trinomial tree model and partial differential equation method, with the following key assumptions:

Fair value of shares of the Company	0.295
Conversion price	0.3
Risk free interest rate	0.76% p.a.
Time to maturity	3.58 years
Expected volatility	53.4%
Expected dividend yield	0%
Bond yield	0%
Conversion period	3.58 years
Early redemption period	3.58 years

   (iii) HK$100 million of the consideration shall be settled by the issuance of interest-free Promissory Note with a principal amount of HK$100 million by the Company to the Vendor on Completion.

The Promissory Note will be due on due on 31 December 2016. With reference to a professional valuation conducted by Peak Vision Appraisals Limited, the fair value was estimated to be HK$71,088,000 as at 30 September 2013 and is recorded under non-current liabilities as promissory note. The fair value of the Promissory Note is determined by using discounted cash flow method, with the following key assumptions:

Time to maturity	3.25 years
Discount rate	11.06% p.a.
Probability of events of default	0%

(iv) In addition to the above consideration, the Profit Guarantee was provided by the Vendors and the Guarantor in favour of the Group and guaranteed the audited after-tax net profit of the Target Group for each of the three financial years ended 31 December 2016 shall not be less than RMB30 million. If the guaranteed profit cannot be achieved, the Vendors and the Guarantor shall be liable to pay the Group the deficient amount, which is equal to the difference between the guaranteed profit and the audited after-tax net profit. The Profit Guarantee is receivable in cash from the Vendors. The HK$100 million of the Convertible Note is collateral to the Profit Guarantee. In the event that the Vendors default in paying the deficient amount, the Company has the right to deduct the deficient amount from the pledged convertible note. Such Profit Guarantee constitutes a contingent consideration arrangement as defined under Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3 (Revised)"), of which the fair value was estimated to be HK$28,040,000 as at 30 September 2013, with reference to a professional valuation conducted by Peak Vision Appraisals Limited, and is recorded as available-for-sale financial assets. The fair value of the Profit Guarantee is determined by using discounted cash flow method and Monte Carlo simulation, with the following key assumptions:

Payoff date	31 December 2014, 2015 and 2016
Guaranteed profit	RMB30 million
Annualized volatility	65.47%
Risk free rate	0.25% p.a. –0.58% p.a.
Growth rate	3.00% p.a.
Discount rate for Guarantee	17.31% p.a.

Since the fair values of the Convertible Notes, Promissory Note and Profit Guarantee of the Company on the date of Completion of the Acquisition may be substantially different from the value used in the Unaudited Pro Forma Financial Information, the final amounts of the fair values of the Convertible Notes, Promissory Note and Profit Guarantee of the Company may be different from the amounts presented above.

5. Upon the Completion of the Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the Unaudited Pro Forma Financial Information at fair value under the purchase method of accounting in accordance with HKFRS 3 (Revised). For the purposes of the Unaudited Pro Forma Financial Information, the Directors have estimated the fair values of the identifiable assets and liabilities of the Target Group as at 30 September 2013, based on separate valuation reports prepared by Peak Vision Appraisals Limited.

The fair value adjustment of HK$8,208,000 represented fair value increase of property, plant and equipment and payments for leasehold land held for own use under operating leases of approximately HK$7,995,000 and HK$213,000 respectively.

Related deferred tax liabilities arising from the fair value surplus on the property, plant and equipment and payments for leasehold land held for own use under operating leases, are HK$1,999,000 and HK$53,000 respectively, based on the applicable tax rate of 25%.

Except for the above, the fair value of the identifiable assets and liabilities of the Target Group is assumed to be the same as their carrying amounts as at 30 September 2013.

The recognition of goodwill and non controlling interest from the Acquisition as if the Acquisition was completed on 30 September 2013 are as follows:

	HK$'000	*HK$'000*
Consideration transferred:		
Cash *(Note 4(i))*	128,161	
Convertible Notes *(Note 4(ii))*	148,671	
Promissory Note *(Note 4(iii))*	71,088	
Profit Guarantee *(Note 4(iv))*	(28,040)	
Total Consideration	319,880	
Plus:		
Non-controlling interest *(Note a)*	40,945	
		360,825
Less:		
Net assets of the Target Group as at 30 September 2013	211,183	
Less: goodwill included in Net assets of the Target Group as at 30 September 2013	102,135	
	109,048	
Fair value surplus of property, plant and equipment	7,995	
Fair value surplus of payments for leasehold land held for own use under operating leases	213	
Effect on deferred tax liabilities arising from:		
Fair value surplus of property, plant and equipment	(1,999)	
Fair value surplus of payments for leasehold land held for own use under operating leases	(53)	
Additional contribution from waive of Shareholder's Loan *(Note b)*	56,226	
Total fair value of identified assets acquired and liabilities assumed		171,430
Goodwill		189,395

Note a Non-controlling interests are measured at (i) its effective interest of 5% of the fair value of Zhuhai Hoston's net assets with amounting to HK$2,265,000 and (ii) its effective interest of 33.5% of the fair value of Guangdong Hengjia's net assets amounting to HK$38,680,000.

Note b Pursuant to the sale and purchase agreement entered between the Company and the Vendor, the amount due to the Vendor by Royal Asia International Limited, will be transferred to the Target Company with nil consideration. Such waiver of Shareholder's Loan will increase the fair value of identified net assets. As at 30 September 2013, the amount due to the Vendor by Royal Asia International Limited is approximately HK$56,226,000

Since the fair values of Convertible Notes, Promissory Note, Profit Guarantee and the identifiable assets and liabilities of the Target Group at the Completion Date may be substantially different from the fair values used in the preparation of this Unaudited Pro Forma Financial information of the Enlarged Group, the final amounts of the fair value of identified net assets, non-controlling interests and goodwill recognised in connection with the Acquisition may be different from the amounts presented above.

The adjustments also include consolidation entries for the elimination of investment cost of the Company and share capital and reserves of the Target Group and the waiver of Shareholder's Loan of approximately HK$56,226,000.

6. For the purposes of this Unaudited Pro Forma Financial Information, the Directors have assessed whether there is any impairment on the goodwill as at 30 September 2013 on a pro forma basis, in accordance with Hong Kong Accounting Standards 36 "Impairment of Assets" ("HKAS 36"). Based on the Directors' assessment on the business plan to be executed and the recoverable amount of the business to be acquired, the Directors consider that there is no impairment loss on the goodwill arising from the Acquisition as at 30 September 2013 on the assumption that the Acquisition was completed on the same date.

   The Directors will apply consistent accounting policies and principal assumptions to assess the impairment of goodwill in subsequent reporting periods in accordance with the requirements of HKAS 36.

7. The adjustment represents:

   (i) the additional depreciation of property, plant and equipment and additional amortization of payments for leasehold land held for own use under operating leases of approximately HK$1,846,000 and the related deferred tax credit of approximately HK$461,000, as a consequence of the recognition of the fair value surplus of property, plant and equipment and payments for leasehold land held for own use under operating leases as mentioned in Note 5 above;

   (ii) the annual imputed interest expenses of the Promissory Note of approximately HK$7,862,000, calculated by multiplying the outstanding principal amount as at 1 October 2012 by the effective interest rate of 11.06% p.a.; and

   (iii) the annual imputed interest expenses of the Cash Consideration Payable of approximately HK$14,175,000, calculated by multiplying the outstanding principal amount as at 1 October 2012 by the effective interest rate of 11.06% p.a..

   The above adjustments are expected to have continuing effect on the Enlarged Group's consolidated income statement, consolidated statement of comprehensive income and consolidated statements of cash flows.

8. The adjustment represents the estimated transaction costs of approximately HK$3,914,000 payable by the Group in connection with the Acquisition. This adjustment is not expected to have continuing effect on the Enlarged Group's consolidated income statement, consolidated statement of comprehensive income and consolidated statements of cash flows.

   For the purposes of the pro forma consolidated statement of financial position, the transaction cost is assumed to be settled by cash as at 30 September 2013.

9. Net cash inflow as if the Acquisition was completed on 1 October 2012 is as follows:

	HK$'000
Cash consideration	–
Less: cash and cash equivalent balances acquired	(15)
	(15)

   This adjustment is not expected to have continuing effect on the Enlarged Group.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, received from the reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, prepared for the sole purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group.

31 March 2014

The Directors
Sunway International Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sunway International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2013 and the unaudited pro forma consolidated income statement, unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 30 September 2013 and related notes as set out on pages III-1 to III-12 of circular dated 31 March 2014 (the "Circular") of the Company (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the proposed acquisition of the entire issued share capital of Joint Expert Global Limited (the "Target Company") by the Company (the "Acquisition") on the Group's financial position as at 30 September 2013 and the Group's financial performance and cash flows for the period ended 30 September 2013 as if the Acquisition had taken place at as at 30 September 2013 and 1 October 2012, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors of the Company from the Group's financial statements for the period ended 30 September 2013, on which audit report has been published. Information about the Target Company and its subsidiary (the "Target Group") financial position, financial performance and cash flows has been extracted by the directors of the Company from the Target Group's financial statements for the years ended 31 December 2012 and nine months ended 30 September 2013, on which an accountants' report has been published in Appendix IIA to the Circular.

Directors' Responsibility for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rule, about whether the Unaudited Pro Forma Financial Information has been compiled, in all material respects, by the directors on the basis of the applicable criteria described in Section A of Appendix III to the Circular.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled, in all material respects, the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the HKICPA.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition and to obtain sufficient appropriate evidence about whether:

– The related pro forma adjustments give appropriate effect to those criteria; and

– The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

BDO Limited
Certified Public Accountants
Cheung Sai Kit
Practising Certificate Number P05544

Hong Kong, 31 March 2014

The following is the text of an independent valuation report, prepared for the purpose of incorporation in this circular received from Peak Vision Appraisals Limited, an independent valuer, in connection with the business valuation of the Target Company as at 30 November 2013.

Peak Vision
Appraisals Limited

12/F, Effectual Building
14-16 Hennessy Road
Wanchai, Hong Kong
www.peakval.com
Tel (852) 2187 2238
Fax (852) 2187 2239

31 March 2014

The Board of Directors
Sunway International Holdings Limited
Room 1708-1710
Nan Fung Centre
264-298 Castle Peak Road
Tsuen Wan
New Territories
Hong Kong

Dear Sirs,

Re: Valuation of 100% equity interest of Joint Expert Global Ltd.

In accordance with your instructions, we have conducted a valuation of the market value of the 100% equity interest of Joint Expert Global Ltd. (hereinafter referred to as the "Business Enterprise", and together with its subsidiaries, the "Group"). It is our understanding that the Business Enterprise is an ultimate investment holding company, which indirectly effectively holds 95% equity interest in 珠海和盛特材股份有限公司 (hereinafter referred to as the "PRC Company I" and unofficially translated as "Zhuhai Hoston Special Materials Co., Ltd.") and 66.5% equity interest in 廣東恆佳建材股份有限公司 (hereinafter referred to as the "PRC Company II" and unofficially translated as "Guangdong Hengjia Building Materials Co., Ltd."). The PRC Company I and the PRC Company II (hereinafter together referred to as the "PRC Companies") are mainly engaged in production of building and construction materials including pre-stressed concrete steel bars ("PC steel bars"), pre-tensioned spun high strength concrete piles ("PHC piles"), ready-mixed concrete, autoclaved aerated concrete and various types of bricks, with production bases located in Zhuhai City and Yangjiang City, the People's Republic of China (hereinafter referred to as the "PRC" or "China").

We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Business Enterprise as at 30 November 2013 (hereinafter referred to as the "Valuation Date").

This report states the purpose of valuation and premise of value, sources of information, identifies the business valued, describes the methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1.0 PURPOSE OF VALUATION

This report is being prepared solely for the use of the directors and management of Sunway International Holdings Limited (hereinafter referred to as the "Company") for internal reference and incorporation into a circular. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Peak Vision Appraisals Limited (hereinafter referred to as "Peak Vision Appraisals") acknowledges that this report may be made available to the Company as one of the sources of information for the proposed acquisition of the Business Enterprise (hereinafter referred to as the "Proposed Acquisition"). The Proposed Acquisition, if materialised, and the corresponding transaction price would be the result of negotiations between the transacting parties. The management of the Company should be solely responsible for determining the consideration of the Proposed Acquisition, in which Peak Vision Appraisals are not involved in the negotiation and have no comment on the agreed consideration. Furthermore, Peak Vision Appraisals assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2.0 PREMISE OF VALUE

Our valuation is based on the going concern premise and conducted on a market value basis. **Market Value** is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation has been prepared in accordance with The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum.

3.0 SOURCES OF INFORMATION

We relied on the following major documents and information in the valuation analysis. Some of the information and materials are furnished by the management of the Company, the Group and their representatives (hereinafter collectively referred to as the "Management"). Other information are extracted from public sources such as government sources, Bloomberg and Morningstar, etc.

The major documents and information include the following:

- Copies of business licenses of the Group provided by the Management;

- Copies of relevant sales contracts as provided by the Management;
- Copies of letters of intent for sales as provided by the Management;
- Copies of letters of intent of supply as provided by the Management;
- Historical financial information such as income statements and balance sheets of the Group as provided by the Management; and
- Business plan and projections prepared by the Management.

In the course of our valuation, we have conducted a company visit in February 2013 and had discussions with the Management on the building and construction materials industry in the PRC and the development of the Group. Furthermore, we have made reference to or reviewed the above information and data and assumed such information and data are true and accurate without independent verification except as expressly described herein. We consider that we have obtained adequate information from the sources described above to provide a reliable opinion of market value.

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

In arriving at our opinion of value, it was assumed that the projections provided to us were based on the assumptions reflecting the best available estimates, judgment and knowledge of the Management in relation to the proposed operations and are reasonable, reflecting market conditions and economic fundamentals.

We do not express an opinion as to whether the actual results of the operations of the Group will approximate the projections because assumptions regarding future events by their nature are not capable of independent substantiation. We are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

4.0 GROUP

4.1 Background

(i) Business Enterprise

Joint Expert Global Ltd. (the Business Enterprise) is an investment holding company incorporated in the British Virgin Islands on 28 May 2013. As represented by the Management, the Business Enterprise has not commenced any business operation since its incorporation except for its holding of equity interest in the PRC Companies through a direct wholly-owned subsidiary, namely Royal Asia International Limited (hereinafter referred to as the "Subsidiary").

(ii) Subsidiary

Royal Asia International Limited (the Subsidiary) is an investment holding company incorporated in Hong Kong on 1 April 1998. The Subsidiary has no material assets or liabilities other than the holding of controlling interest in the PRC Companies.

(iii) PRC Company I

珠海和盛特材股份有限公司 (the PRC Company I) is a sino foreign joint venture with limited liability (i.e. 股份有限公司(台港澳與境內合資)) incorporated in the PRC on 3 November 1995 and changed to limited liability by shares on 29 March 2001. The following table summarizes the background information of the PRC Company I, according to the 企業法人營業執照 (unofficially translated and hereinafter referred to as the "Enterprise Legal Person Business Licence") issued by 廣東省珠海市工商行政管理局 (unofficially translated as "Guangdong Province Zhuhai City Administration For Industry & Commerce").

Licence number	:	440400400049747
Name	:	珠海和盛特材股份有限公司 (the PRC Company I)
Registered address	:	中華人民共和國廣東省珠海市國家高新技術產業開發區新青科技工業園內 (unofficially translated as "Xinqing Science and Technology Industrial Park, National Hi & New Technology Development Zone, Zhuhai City, Guangdong Province, the PRC")
Registered capital	:	RMB56,000,000
Incorporation date	:	29 March 2001
Confined business scope	:	Research and development, production and sale of pre-stressed steel bars, steel strand wires, various pre-stressed materials and their respective production equipment, and industrial and building pre-stressed materials

Table 1: Enterprise Legal Person Business Licence of the PRC Company I
Source: Management

(iv) PRC Company II

廣東恒佳建材股份有限公司 (the PRC Company II) is a limited liability company incorporated in the PRC on 11 September 2007. The following table summarizes the background information of the PRC Company II, according to the 企業法人營業執照 (the Enterprise Legal Person Business License) issued by 陽江市工商局江城分局 (unofficially translated as "Yangjiang City Administration For Industry & Commerce Jiangcheng Branch").

Licence number	:	441700000003236
Name	:	廣東恒佳建材股份有限公司 (the PRC Company II)
Registered address	:	中華人民共和國廣東省陽江市江城區雙捷鎮站港公路邊 (unofficially translated as "beside Zhangang Highway, Shuangjie Town, Jiangcheng District, Yangjiang City, Guangdong Province, the PRC")
Registered capital	:	RMB50,000,000
Incorporation date	:	11 September 2007
Confined business scope	:	Production and sale of high strength concrete piles, tubular cement products, high strength ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and permeable concrete products

Table 2: Enterprise Legal Person Business Licence of the PRC Company II
Source: Management

4.2 Shareholding Structure

As represented by the Management, the Business Enterprise is directly wholly owned by Mr. Xiao Guang Kevin (hereinafter referred to as the "Vendor"). The shareholding structure immediately before the completion of the Proposed Acquisition of the Business Enterprise is tabulated in the figure below:

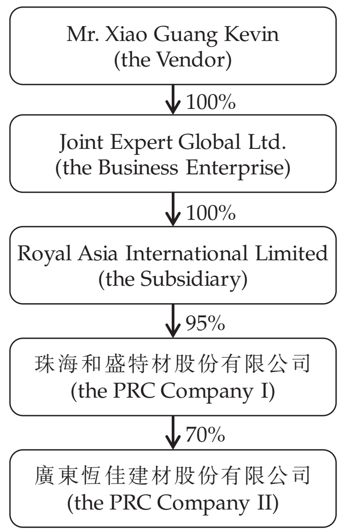


Figure 1: ***Shareholding structure of the Business Enterprise immediately before the completion of the Proposed Acquisition***

Source: *Management*

Upon the completion of the Proposed Acquisition, the Company will indirectly control 95% equity interest in the PRC Company I, which in turn, owns 70% equity interest in the PRC Company II. The shareholding structure immediately after the Proposed Acquisition of the Business Enterprise is tabulated as follows:

Figure 2: ***Shareholding structure of the Business Enterprise immediately after the completion of the Proposed Acquisition***

Source: *Management*

5.0 BUSINESS OVERVIEW

The Group is a fast growing PRC building and construction materials manufacturer specialized in production of PC steel bars, PHC piles, ready-mixed concrete and various types of bricks, etc. that are high quality. The Group has two production bases located in Zhuhai City and Yangjiang City which mainly supply the building and construction materials for residential, commercial and infrastructure construction project in the region nearby. Under the current business model, the PRC Company I undertakes the production of PC steel bars while the PRC Company II is engaged in the manufacture and sale of PHC piles, concrete and bricks etc. Their products are widely recognized and certified by official authorities and international organizations. For instance, the PRC Companies have been certified by International Organization for Standardization for its quality management and assurance. The PC steel bars have been certified as quality product by 中國質量檢驗協會 (unofficially translated as "China Quality Check Association"), a professional body under 國家質檢總局 (unofficially translated as "the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China"). Besides, the PRC Company II has obtained the certificate as a qualified enterprise for the construction industry by local officials. The Management expects the PRC Companies will benefit from the strong economic growth of the territory given the scale of its operation and high quality products.

5.1 Production Bases

The production base located in Zhuhai City comprises 9 blocks 1 to 4-storey buildings used as offices building, warehouses, workshops, power distribution room and dormitory, with total gross floor area of approximately 11,058.68 sq.m. The base comprises various facilities and equipment for pre-stress processing of steel bars. There are 5 production lines with total production capacity of 80,000 tonnes per annum. The current utilization rate is 62.5%. As at the Valuation Date, there are 62 staff in total working at the base.

The production base located in Yangjiang is for manufacturing of piles, concretes and bricks, staffed with a total of approximately 500 workers as at the Valuation Date. It comprises with 4 blocks of 1 to 4-storey buildings used as offices building, pipe pile workshop and 2 dormitories with a total gross floor area of approximately 12,295.93 sq.m. Furthermore, there are ancillary structures comprising a workshop, warehouse, boiler room, guard room, power distribution room, a coal shed and other structures etc., with total gross floor area of approximately 19,349.11 sq.m. The table below shows the relevant information of each production line by product:

Products	**Unit**	**Number of production lines**	**Maximum capacity**
PHC piles	meters per annum	2	3,181,920
Ready-mixed concrete	cubic meters per annum	2	600,000
Autoclaved aerated concrete	cubic meters per annum	2	488,840
Autoclaved sand line bricks	bricks per annum	6	72,000,000
Water permeable bricks	sq.m. per annum	1	1,200,000

Table 3: Capacity of production line by product
Source: Management

5.2 Products

This section describes the details of the major products of the Group:

(i) PC steel bars

PC steel bars refer to the pre-stressed steel bars used for pre-stressed concrete. They are mainly used as the reinforcing wires of PHC piles. PC steel bars were invented in Japan with characteristics of high strength, low relaxation, high resistance to corrosion, adequate ductility and high bendability. The manufacturing process first begins with cleaning and descaling to remove dirt and scale from the hot-rolled steel wire rod before feeding through the wire drawing dies. The cleaned and descaled wire is then coated with chemical components and pulled through a series of wire drawing dies to reduce its size. The wire is then drawn to the required diameter and to give its mechanical properties such as strength and hardness. It is finally stabilized by removing mechanical stress through thermal treatment process. Apart from making PHC piles, the PC steel bars generally have the following applications:

- Bridges & buildings;

- Railway sleepers;

- Pipes;
- Hollow core slabs; and
- Poles.

(ii) PHC piles

The PHC piles offer an economic, deep foundation system for structures with consistent and superior quality compared to other types of concrete piles. PHC piles are now widely used in civil and residential construction as foundation piles of marine structures, civil engineering works, bridges, harbors, buildings and government projects, etc. The PHC piles are manufactured in sizes ranging from 300mm to 600mm diameter with standard lengths varying from 5m to 15m. It has the following advantages:

- Highly effective in resisting bending moment;
- Large bearing capacity;
- High resistance to corrosion;
- Prevention from cracking;
- Low shrinkage; and
- Environmentally friendly installation.

The table below summarizes the product specification of PHC piles:

Diameter *(mm)*	**Wall thickness** *(mm)*	**Weight** *(kg/m)*	**Loading capacity** *(KN)*	**Length** *(m)*
300	70	131	1250	5-11
400	95	249	2250	5-12
500	100	327	3150	5-14
500	125	368	3700	5-14
600	110	440	4250	5-15
600	130	499	4800	5-15

Table 4: Product specification of the PHC piles
Source: Management

The manufacturing process of PHC piles is broadly divided into 8 steps as follows:

- Cage making

  The PC steel bars in coil form are straightened and cut to correct lengths. The bars are passed through the cage forming machine where spiral wire is automatically welded at the correct spacing.

- Mold setting

  End plates are fitted to the cage. The whole cage is then lifted and placed on the bottom half of the mold.

- Concrete pouring

  Concrete is then fed into the mold.

- Stressing

  The PC steel bars are stressed against the mold through a central shaft and stressing plate.

- Pile spinning

  The filed mold is then placed on the centrifugal spinning machine to be spun automatically. The spinning results in high compaction and squeezes out excess water and thus increase the concrete strength in the pile.

- De-molding

  Steam curing enables the piles to be de-molded earlier and is done with proper machinery.

- Autoclave curing

  The piles undergo further autoclave curing process.

- Inspection

  The inspection is carried out on the dimension, concrete strength and pile bending strength.

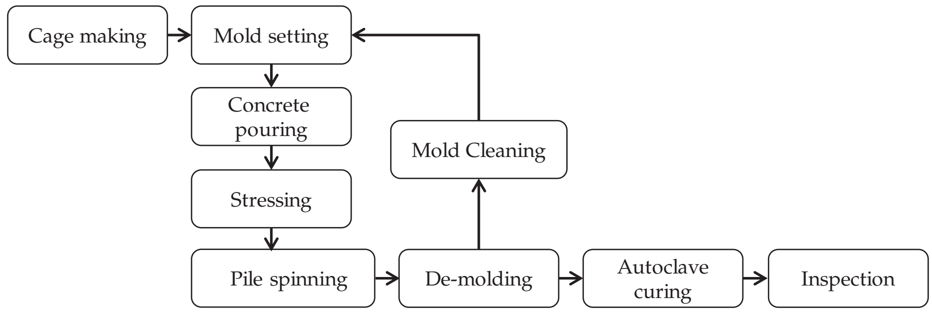


Figure 3: Flow chart of PHC piles production
Source: Management

(iii) Ready-mixed concrete

Ready-mixed concrete is a concrete that is specifically manufactured in a factory and then delivered to a work site. It is sometimes more preferable than on-site concrete mixing because of the reduced worksite activity and environmental concerns.

(iv) Autoclaved aerated concrete

Autoclaved aerated concrete is a lightweight and precast environmental building material that provides structure, insulation, and fire and mold-resistance. It is made with fine aggregates, cement, and an expansion agent that causes the fresh mixture to rise like bread dough. Its lightweight properties make it easy to cut and cost saving. It resists water, rot, mold, mildew, and insects. In addition, it is also effective at fire resistance and sound insulation. The diagram below briefly illustrates the production process of autoclaved aerated concrete.

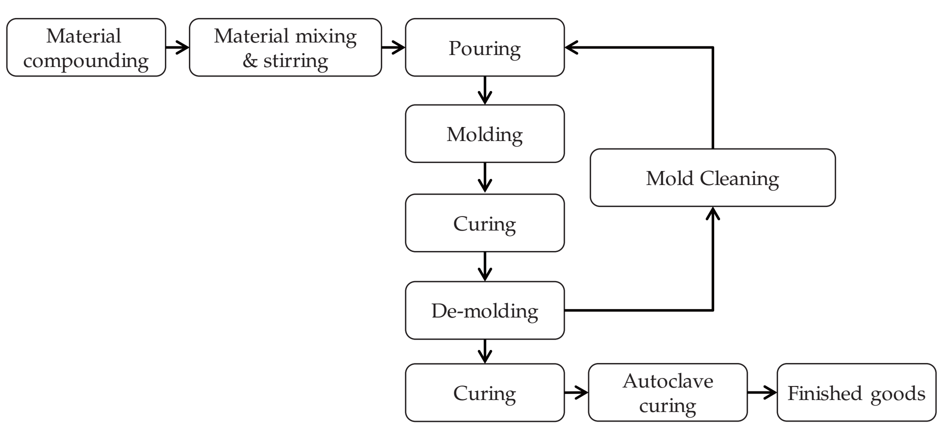


Figure 4: Flow chart of autoclaved aerated concrete production
Source: Management

(v) Bricks

The Group produces various types of brick for different applications. The bricks are designed with unique characteristics as shown as follows:

- Autoclaved sand lime bricks

  Sand lime bricks are manufactured by mixing sand, fly ash and lime in appropriate proportion that is finally molded under pressure. Bricks made by mixing lime and fly ash are suitable for use in masonry just like common clay bricks with additional benefits including adequate strength, uniformity in shape, lightweight and environmentally friendly. Such bricks are a new type of building material that are highly promoted by the PRC government.

- Water permeable bricks

  Water permeable bricks are made of clay, water, industrial wastes and other eco-friendly materials with water permeability. They are widely used for pavements of sidewalks, parks, gardens, parking lots and residential areas. The use of water permeable brick pavements can minimize localized flooding by filtrating and treating raining water on site which eases the load on city sewers and stream channels and replenishes groundwater aquifers with clean water. Furthermore, it can allow air and water to reach tree roots easily and maintain a moderate temperature and humidity of the surrounding area.

- Grass paver bricks

  Grass paver bricks allow the growing of grass or other plant material in spaces which enable the natural beauty of grass and the strength of concrete to combine in a variety of applications.

Furthermore, the PRC Company II is also capable of manufacturing other alternatives to bricks including hollow concrete blocks, curbstones and blocks specific for dock building, etc.

5.3 Customers

The customer base of the PRC Company I are primarily the pile manufacturers and building materials producers based in the cities in Guangdong Province including Zhuhai City, Guangzhou city, Jiangmen City, Zhongshan City and Foshan City. As represented by the Management, for the year ended 31 December 2012, the top five customers' sales of the PRC Company I amounted to approximately RMB122 million, representing approximately 54% of its total revenue.

The products of the PRC Company II are sold to contractors in the PRC and property developers for construction of residential and commercial properties, government buildings and infrastructure projects. They are used extensively in different constructions such as docks, road, museums and buildings, which are all located in the cities of western Guangdong Province, including Yangjiang City, Zhangjiang City, Maoming City and Yunfu City. Through years of cooperation and continuous development, the PRC Company II has established a solid customer relationship with its clients. The PRC Company II has undertaken 114 construction projects and provided quality services to 88 construction developers since its commencement of operation. The table below lists some of the projects contracted to and completed by the PRC Company II.

Construction projects	**Products**
南海一號博物館	Ready-mixed concrete, aerated concrete, sand lime bricks and road pavers
廣州打撈局陽江港11號、12號碼頭	Ready-mixed concrete and dock pavers
陽陽高速	Ready-mixed concrete and curbstones
陽江市新中醫院	PHC piles and aerated concrete
陽江市公共醫院	PHC piles and aerated concrete
陽江市體育學校	Sand lime bricks
保利地產城南一、二及三期	PHC piles, aerated concrete, ready-mixed concrete, sand lime bricks and road pavers
陽春錦湖花園	PHC piles, aerated concrete, sand lime bricks and road pavers
德信華城	PHC piles, aerated concrete and sand lime bricks
濤景高爾夫度假村	Aerated concrete

Table 5: Construction projects involved by the PRC Company II
Source: Management

5.4 Raw Materials and Suppliers

As advised by the Management, metal wire is the principal raw material for the production of PC steel bars. Therefore, the PRC Company I has entered into letters of intent with 3 local enterprises to secure the supply of metal wire until 2016.

The major raw materials used in the manufacturing of the products of the PRC Company II include the PC steel bars, coal ash, river sand, limestone and concrete etc. To prevent shortage in supply of raw materials, the PRC Company II procures its raw materials from a variety of different reliable sources that are easily accessible. In general, most of the materials can be obtained at a distance within 50km from the production base, and thus reduces the transportation cost of the raw materials.

5.5 Business Plan

As the Management is optimistic about the regional's economic future, they aim to strengthen the market position and achieve a more stable income stream by pursuing the following strategies:

(i) Expansion and technical upgrade of production facilities of PC steel bars

The Management understands that the regional demand of PC steel bars is growing rapidly and approximately one third of PC steel bars are supplied from enterprises based outside of Guangdong Province, which offers an opportunity of expansion to local manufacturers.

In view of the potential demand from new customers, the Management expects that the future increase in demand of PC steel bars will exceed its current level of free production capacity. As a result, they intends to further expand its production capacity by adding three production lines and upgrade its equipment and facilities, in total estimated amount of approximately RMB20 million.

Upon completion, the annual production rate will be increased from 80,000 tonnes to 130,000 tonnes. The Management is also of the view that the expansion and technical upgrade not only will increase the production capacity but also save production cost as a result of economic of scale and production efficiency.

(ii) Maintaining a closer relationship with the suppliers

The Management will endeavor to maintain a close and good relationship with the suppliers such that timely information about the raw materials market will be well received by the Management.

(iii) Expanding its business in emerging markets other than Yangjiang City

Over the years of investment, the PRC Company II has spent approximately RMB40 million to enhance its production base located in Yangjiang City in an attempt to grasp the business opportunity of the city. In light of the rapid economic growth of surrounding areas, the Management aims to drive the business growth by making use of its current free production level. The Management considers that the PRC Company II will increase its share in the regional markets.

To achieve this objective, the Management continues to focus on developing an integrated supply platform, which is to provide the customers one-stop services by offering a portfolio of various products. In other words, the clients can be benefited from time saving by placing the purchase order of various building and construction materials for one single project from the PRC Company II.

(iv) Expanding its product portfolio

The Management will take advantage of tax benefit and preferential policy on recycling waste materials and manufacturing of environmental friendly products. These benefits can lead to a lower selling price and thus increase competitiveness of its products.

(v) Solidifying relationship with the customers

The Management aims to maintain a long term customer relationship by contracting with the customers in advance. As a result, the revenue is expected to be less volatile.

6.0 ECONOMIC OVERVIEW

According to International Monetary Fund ("IMF"), global growth is projected to remain at slightly above 3% in 2013, the same as in 2012. The growth increased only slightly from an annualized rate of 2.5% in the second half of 2012 to 2.75% in the first quarter of 2013. The underperformance was due to three factors. First, growth in major emerging market economies continued to disappoint, showing infrastructure bottlenecks and other capacity constraints, slower external demand growth, lower commodity prices and financial stability concerns. Second, the recession in the euro area was deeper than expected, as low demand, depressed confidence, and weak balance sheets dampened the growth and the impact of tight fiscal and financial conditions. Third, the U.S. economy expanded at a weaker pace, as stronger fiscal contraction weighed on improving private demand.

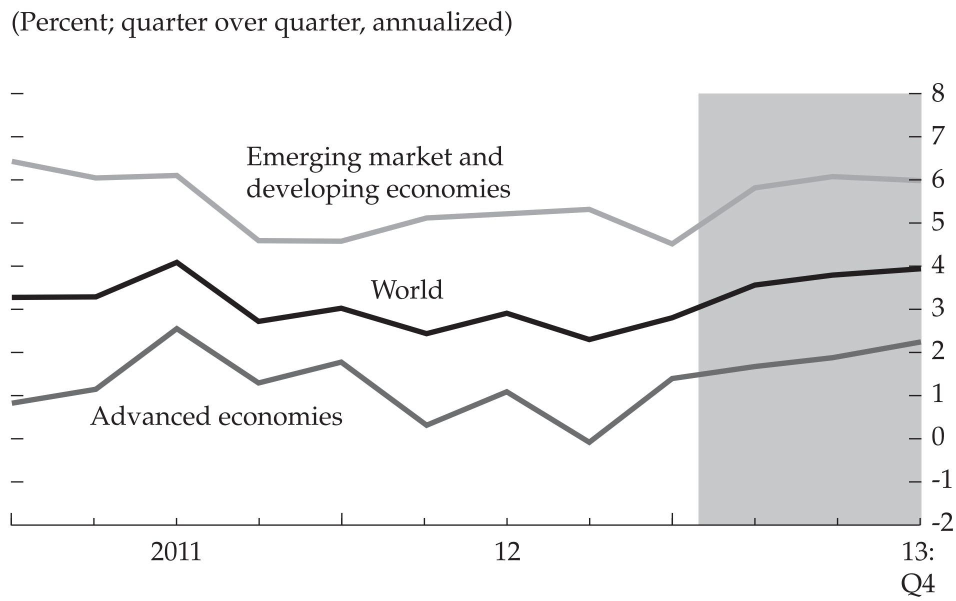


Figure 5: Global GDP growth
Source: IMF staff estimates

6.1 China

Despite weak and uncertain global conditions, the China economy is expected to grow by around 7.75% this year according to IMF. Although first-quarter GDP data were sluggish, the pace of the economy should pick up moderately in the second half of the year, as the lagged impact of recent strong growth in total social financing takes hold and in line with a projected mild recovery in the global economy.

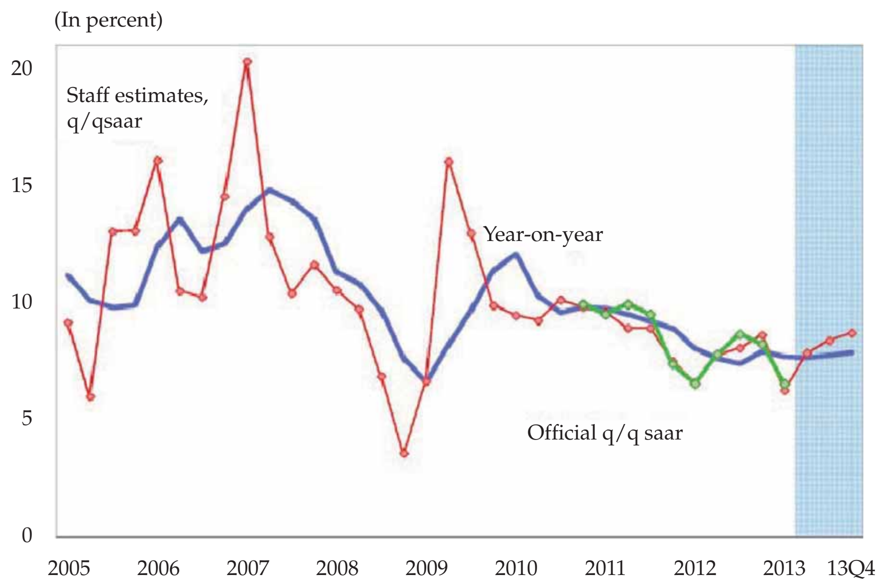


Figure 6: China real GDP growth
Source: CEIC and IMF staff estimates

6.2 Guangdong Province

Guangdong Province is one of the most populous regions in China with an approximate population of 105 million at the end of 2011. The Pearl River Delta ("PRD") Economic Zone is the province's economic hub covering 9 cities, including Guangzhou, Shenzhen, Zhuhai, Foshan, Jiangmen, Dongguan, Zhongshan, Huizhou and Zhaoqing. The GDP of the zone was RMB4,372 billion, accounting for 82% of Guangdong Province's GDP in 2011. In 2011, the primary, secondary and tertiary industries of the province were worth approximately RMB267 billion, RMB2,645 billion and RMB2,410 billion respectively. Its GDP per capita was close to RMB50,800, increasing by approximately 8% from preview year. Guangdong has a strong private sector. By the end of 2011, there were 9.68 million private enterprises in the region.

Guangdong's manufacturing industries developed rapidly as a result of foreign investment, particular in the PRD. By the end of 2011, Guangdong accounted for around 24% of China's total utilized foreign direct investment ("FDI"), amounting to USD21,798 million. The foreign investment mainly engaged in manufacturing industries including computer accessories, computer, biological products, mechanical and electrical products, etc. and traditional industries such as toys and garments. Investment is strong in light manufacturing industries. Output of light manufacturing industries previously accounted for over half of the province's total output. Major products include electrical appliances such as television sets, electrical fans and refrigerators, and other consumer product like garments, toys, shoes and electronics. In recent years, the Guangdong economy is moving towards heavy, new and high technology industries.

Economic Indicators	**2011**		**Jan-Sep 2012**	
	Value	**Growth** *(%, y-o-y)*	**Value**	**Growth** *(%, y-o-y)*
Gross Domestic Product (RMB bn)	5,321.0	10.0	4,068.6	7.9
Per Capital GDP (RMB)	50,807	8.0		
Added Value Output				
– Primary Industry (RMB bn)	266.5	4.2	199.4	3.6
– Secondary Industry (RMB bn)	2,644.7	10.5	2,022.1	7.3
– Tertiary Industry (RMB bn)	2,409.8	10.0	1,847.1	8.9
Value-added Industrial Output (RMB bn)	2,166.3	12.6	1,577.5	7.6
Fixed-assets Investment (RMB bn)	1,684.4	4.5	1,288.8	13.9
Retail Sales (RMB bn)	2,024.7	16.3	1,652.6	11.5
Inflation (Consumer Price Index, %)		5.3		3.0
Exports (US$ bn)	531.9	17.4	417.1	6.4
– By FIEs (US$ bn)	324.8	15.2	247.9	4.3
Imports (US$ bn)	381.5	15.0	298.6	5.7
– By FIEs (US$ bn)	225.1	11.1	167.9	1.5
Utilized Foreign Direct Investment (US$ bn)	21.8	7.6	18.7	8.9

Table 6: Major economic indicators of Guangdong
Source: HKTDC

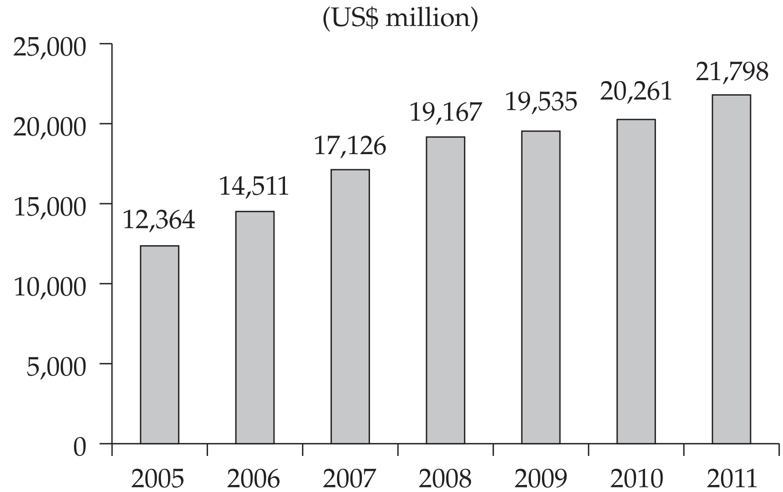


Figure 7: Utilized FDI of Guangdong
Source: HKTDC

	% share of total industrial output
Communication equipment, computers and other electronic equipment	22.6
Electrical machinery & equipment	10.6
Smelting and pressing of ferrous & nonferrous metals	5.4
Raw chemical materials and chemical products	5.2
Metal products	4.5
Automobiles	4.3
Plastics products	3.8
Petroleum refining, coking nuclear fuel processing	3.4
Nonmetal mineral products	3.4
Garments and footwear	3.1
General purpose machinery	3.0
Textiles	2.5

Table 7: Percentage share of total industrial output by industry groups in 2011
Source: HKTDC

7.0 INDUSTRY OVERVIEW

As the principal operation of the Group is the supply and manufacturing of building and construction materials, its business performance is heavily reliant on the performance of property sector of China. Moreover, PHC piles is the major business segment of the Group and hence it is particularly exposed to the risks of PHC piles industry in China.

7.1 China Property Market

According to a report prepared by Rider Levett Bucknall ("RLB"), total real estate development investment in China was about RMB7.18 trillion in 2012, representing a nominal increase of 16.2% compared with that of the previous year but its growth also slowed by 11.9%. Total investment in residential property development amounted to approximately RMB4.93 trillion, representing a year-on-year increase of 11.4%, accounting for 68.8% of total real estate investment.

In 2012, total floor area in the development pipeline was about 5,734 million sq.m., up 13.2% year-on-year. Residential floor area under construction was about 4,290 million sq.m., up 10.6% year-on-year. Total completions amounted to 994.25 million sq.m., up 7.3% year-on-year. Total residential completions increased by 6.4% during the same period to reach 790.43 million sq.m.

Although the Chinese government has introduced cooling measures on the property market such as housing purchased restrictions, price caps and mortgage loan tightening, the revenue from property sales in the country jumped more than 43% in the first half of 2013 from a year earlier. As stated by Citi, the transaction volume grew nearly 29% despite China's economic growth slowing for a second straight quarter this year. Citi expected the conditions in China's property sector will be characterized by steady growth amid general stability as the Chinese government will be wary of the health of the sector by holding off on further cooling measures.

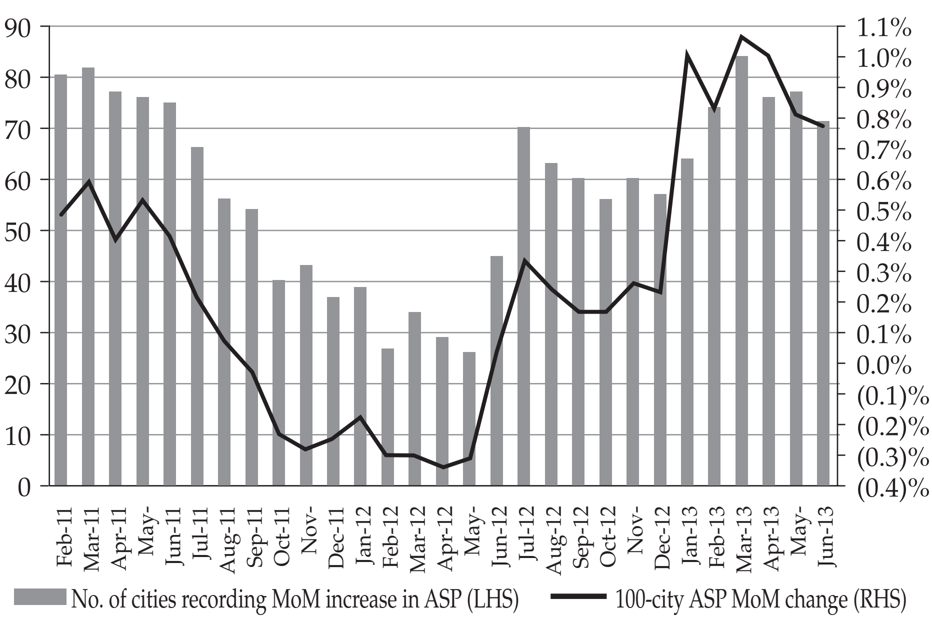


Figure 8: Soufun 100-city pricing index (month on month change, %)
Source: CREIS, Soufun.com

7.1.1 Guangdong Property Investment

According to the latest statistics released by the Guangdong Statistics Bureau, the sales area of properties developed by Guangdong real estate developers surged 24.5% year on year to 98.37 million sq.m. in 2013. Real estate developers reaped a total of RMB894.11 billion from property sales in the period, representing 39.5% more than in 2012, after seeing an 59.8% surge in the first six months of 2013. The province's investment in property development grew by 21.8% year on year to RMB651.95 billion from January to December. The figure accounted for investment in the development of residential properties, amounting to RMB454.10 billion and representing a growth of 22.6% year on year.

According to the research conducted by Urban Land Institute ("ULI") in 2013, Shenzhen and Guangzhou were ranked sixth and seventh place in terms of investment prospects. The development rating score of Shenzhen was somewhat higher as compared to last year. On the other hand, Guangzhou was a city whose commercial property investment market people tended to view favourably. The investment in the provincial capital was driven by strong underlying demand from the city's population of 12.8 million, and the firm underlying industrial base. The demand stems not only from the core inner-city area but also from the smaller satellite cities of Panyu, Zengcheng, Huadu, Luogang, and Conghua. In addition, Zhuhai is new to the research and was ranked 18th by the ULI for investment prospects. The city is deemed to be suitable for development of leisure-oriented investment properties.

7.2 PHC Piles Industry

According to 中國混凝土與水泥製品協會 (unofficially translated as "China Concrete & Cement Products Association" and hereinafter referred to as "CCPA"), there were only 20 manufacturers of PHC piles in 1993. By the end of September 2012, it was roughly estimated that the number of enterprises engaged in the production of PHC piles has substantially increased to approximately 500. The size of production of the industry has increased from 200,000-300,000 meters in 1980s to 800,000-1,500,000 meters in late 1990s. The annual production volume has rised from 3 million meters in 1993 to 350 million meters in 2011.

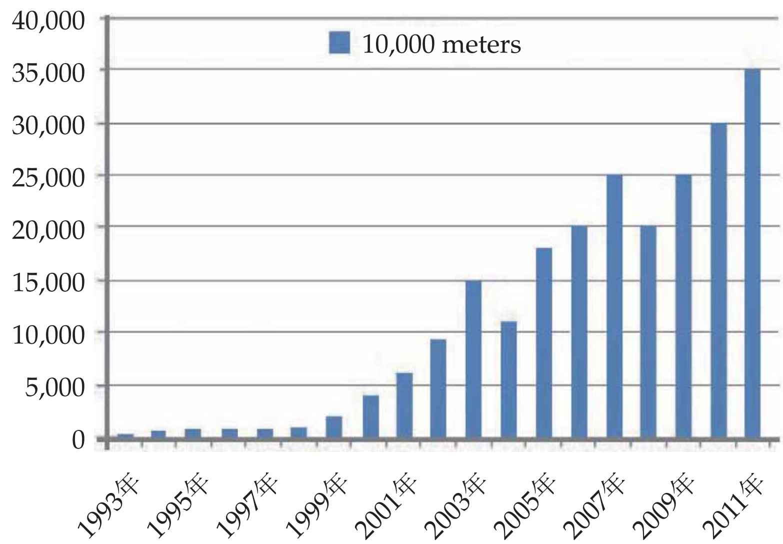


Figure 9: Annual production of PHC piles, 1993-2012
Source: CCPA

The recent development of PHC piles manufacturing industry has been driven by increasing real estate investment in the PRC. Approximately 80% of PHC piles were used for property development. The application of PHC piles for road construction came in second place, accounting for about 10% of total usage. The application for railway sector was merely 5%, which was mainly used for high speed railway construction. The figure below sets out the application of PHC piles in China in 2011.

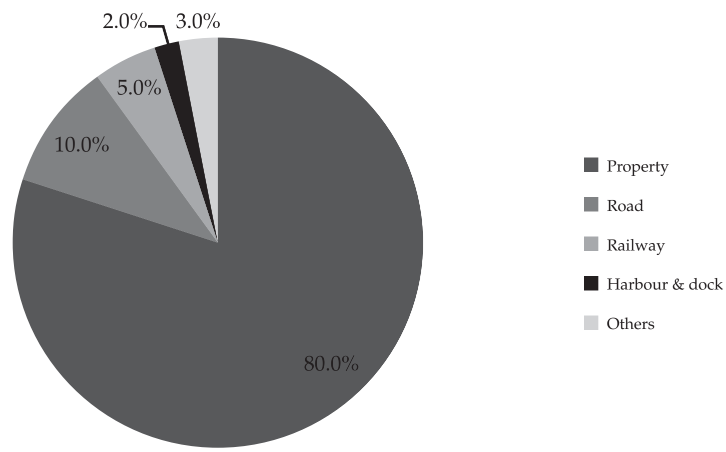


Figure 10: Application of PHC piles in 2011
Source: Respective Marketing Research Inc.

According to China's 12th Five Year Plan (2011-2015), the investment in property development, road and railway construction will increase by 87%, 52.1% and 41.4% respectively. The respective average annual growth rate in these sectors is 13.3%, 8.8% and 7.2%. Based on the growth rate and the share of consumption of each sector, the annual growth rate of PHC piles is about 11.9%. The table below illustrates the projection of PHC piles demand from 2012 to 2015.

	2012	**2013**	**2014**	**2015**	**2016**
PHC piles demand (million meters)	381	427	478	534	598
Growth rate	11.9%	11.9%	11.9%	11.9%	11.9%

Table 8: Projected demand of PHC piles
Source: Respective Marketing Research Inc.

8.0 INVESTIGATION AND ANALYSIS

Our investigation included discussion with the Management in relation to the building and construction materials industry in the PRC, and the development, operations and other relevant information of the Group. In addition, we have made relevant enquiries and obtained such further information including financial and business information, and statistical figures from other sources as we consider necessary for the purpose of this valuation. As part of our analysis, we have made reference to the business plan, the projections and other pertinent data concerning the Group provided to us by the Management.

The valuation of the Business Enterprise requires consideration of all pertinent factors, which affect the operations of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- Nature and operations of the Group;
- Historical information of the Group;
- Financial condition of the Group;
- Proposed business development of the Group;
- Terms and conditions as stated in formal agreements and contracts;
- Regulations and rules of building and construction materials industry and property industry in the PRC;
- Economic and industry data affecting the building and construction materials industry and other dependent industries in the PRC;
- Market-derived investment return(s) of similar business; and
- General global economic outlook.

9.0 GENERAL VALUATION APPROACHES AND METHODS

There are three generally accepted approaches to obtain the value of a business subject:

- Market-based Approach;
- Asset-based Approach; and
- Income-based Approach.

Under each approach, a number of methods are available which can be used to assess the value of a business subject. Each method uses a specific procedure to determine the business value.

Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be sued together. Whether to adopt a particular approach will be determined by the most commonly adopted in valuing the business that are similar in nature. It is also common practice to employ a number of valuation methods under each approach. Therefore, no one business valuation approach or method is definitive.

9.1 Market-based Approach

The Market-based Approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analyzing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity to derive an indication of value.

9.2 Asset-based Approach

The Asset-based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital (equity and debt capital). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

9.3 Income-based Approach

The Income-based Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the Income-based Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

10.0 VALUATION ANALYSIS

10.1 Methodology

In the process of valuing a business subject, we have taken into consideration the business nature, specialty of its operation and the industry it is participating. Having considered the three general valuation methodologies, we believed that the Income-based Approach would be appropriate and reasonable in the valuation of the market value of the Business Enterprise.

In this valuation, the Market-based Approach is not adopted. First, we are unable to identify public listed companies with major business in the production of PC steel bars and PHC piles in China. Second, after taking into account of operating characteristics of the Business Enterprise, there is no appropriate comparable transaction around the Valuation Date for further analysis. In this exercise, the valuation of the Business Enterprise is conducted on a going concern basis, therefore the cost of reproducing and replacing its assets is inappropriate as such method ignores the future economic benefits of the business. Besides, the cash flows based value would exceed the realizable value of net assets. Thus the Asset-based Approach is not applied in the valuation. We have therefore relied solely on the Income-based Approach in determining our opinion of value.

It is simple adopting the Income-based Approach to state the value of a business entity in present value terms. This method is well accepted by most analysts and practitioners. One common method under the Income-based Approach is by looking from the perspective of the firm's investors including stockholders and bondholders. That is the free cash flow available to the business as a whole.

In the course of our valuation, we have relied on the projections prepared by the Management. The tables below presents the financial forecast of the proposed business until year 2016. We have assessed the reasonableness of the projections and discussed the underlying basis with the Management. The major parameters and inputs are discussed below for reference.

10.2 Projections of the PRC Company I

	Year ending 31 December				
(RMB'000)	**2013 (Dec)**	**2014**	**2015**	**2016**	**Average** *(%)*
Revenue	19,134	303,494	369,322	461,207	100
Less:					
Cost of sales	(17,004)	(274,277)	(334,783)	(420,874)	90
Gross profit	2,130	29,217	34,539	40,333	10
Less:					
Business tax	(65)	(1,032)	(1,256)	(1,568)	0
Distribution costs	(213)	(3,375)	(4,107)	(5,128)	1
Administrative expenses	(209)	(2,576)	(2,753)	(3,022)	1
EBIT before tax	1,643	22,234	26,423	30,615	8
Less: Profit tax	(411)	(5,556)	(6,606)	(7,654)	
EBIT after tax	1,232	16,678	19,817	22,961	

* *Figures above are subject to rounding*

Table 9: Projected performance of the PRC Company I
Source: Management

(i) Revenue

According to the research conducted by the Management, the regional market demand of PC steel bars in 2013 is up to 290,000 tonnes and the corresponding market share of the PRC Company in 2013 is estimated to be approximately 17%. The Management anticipates that the market will be growing as Hengqin has been designated as an Economic Special Zone, similar to Binhai in Tianjin and Pudong in Shanghai, and expects a significant investment of construction and infrastructure in the region nearby. Based on the size of investment, the average annual demand for PC steel bars for Hengqin is forecasted to be around 50,000 tonnes, which will further drive the demand of PC steel bars. In addition to the growing demand, the Management is always looking to expand their market share. It is expected the market share will be 22% on average throughout the forecast.

The revenue includes the sales of PC steel bars and supplemental income from the sales of production lines of PC steel bars. Upon the aforesaid research and findings, the projections is based on the forecast demand, the sale contracts and the letters of intent for sales entered with the customers. Throughout the projections, the total output is estimated to be approximately 262,800, of which the sales contracts and the letters of intent for sale account for approximately 43% & 16% respectively. With reference to the business track record, the selling price of PC steel bars is fixed at approximately RMB4,250 per tonne. To match the aggregate demand from Hengqin investment and other existing customers, the annual output quantity is proposed to gradually increase in accordance with the table set out below:

Year	**2014**	**2015**	**2016**
Output (tonnes)	70,400	85,900	106,500

* *Figures above are subject to rounding*

Table 10: Projected output level of PC steel bars
Source: Management

(ii) Cost of sales

With reference to the business track record, the cost of sales has decreased from 96% to 93% of the revenue. Referring to the management account as at the Valuation Date, the cost of sales for the eleven months ended November 2013 has further reduced to approximately 89% of the revenue. During the forecast period, the cost of sales is maintained at a level of around 90% of the revenue. As represented by the Management, the decrease in cost of sales is primarily due to (i) the staggered electricity usage and (ii) the technical upgrade of production.

(iii) Business tax

The business tax mainly includes 城市建設維護稅, 地方教育費附加及教育費附加 (unofficially translated as "urban and maintenance construction tax, regional educational surcharge and educational surcharge" respectively), which are based on the percentage of value added tax ranging from 2% to 7%. In addition, the PRC Company I is also subject to embankment protection fee, which is 0.1% of revenue. Historically, these expenses are nominal in nature.

(iv) Distribution costs administrative expenses

The distribution costs and administrative expenses primarily include the transportation cost, depreciation and staff and management expenses. With reference to the business track record, the distribution cost is about 1% of the revenue. As the administrative expenses are fixed cost in nature, the estimate is based on the historical cost and increased gradually from 1% to 10% throughout the projection period.

(v) Income tax

The PRC Company I is subject to the statutory income tax rate of 25% of income before tax.

With reference to the business track record, the operating margin of the PRC Company I has been improving over the last 3 fiscal years. Based on the management account as at the Valuation Date, the operating margin of the PRC Company I for eleven months ended November 2013 is around 8.5%, which is approximate to the projected operating margin. Having reviewed the industry data of relevant comparable companies, it is also noted that the operating margin is within the range of industrial ratio.

10.3 Projections of the PRC Company II

	Year ending 31 December				
	2013 (Dec)	**2014**	**2015**	**2016**	**Average**
(RMB'000)					*(%)*
Revenue	22,932	365,000	501,000	652,000	100
Less:					
Cost of sales	(17,836)	(287,000)	(395,000)	(513,850)	79
Gross profit	5,096	78,000	106,000	138,150	21
Less:					
Business tax	(115)	(1,825)	(2,505)	(3,260)	1
Distribution costs	(849)	(13,500)	(18,500)	(24,360)	4
Administrative expenses	(722)	(12,000)	(16,100)	(21,260)	3
EBIT before tax	3,410	50,675	68,895	89,270	13
Less: Profit tax	(852)	(12,669)	(17,224)	(22,318)	
EBIT after tax	2,558	38,006	51,671	66,952	

* *Figures above are subject to rounding*

Table 11: Projected performance of the PRC Company II

Source: Management

(i) Revenue

According to the research conducted by the Management, the average annual growth rate ranges from 15% to 37% in the demands of various construction products from 2009 to 2011 at Yangjiang City and its nearby markets, including Maoming City, Zhanjiang City, Xinxing County and Enping City. Based on the historical growth rate, the demand of its products is projected to increase at a rate of 15% per annum. With reference to the business track record, the market share of the PRC Company II has been up to 12% in 2013 and the Management expects its market share to expand as a result of marketing strategies and products portfolio.

The revenue includes the sales of PHC piles, ready-mixed concrete, autoclaved aerated concrete and bricks. Upon the aforesaid research and findings, the projections is based on the forecast demand, the sales contracts and the letters of intent for sales entered with the customers. The total revenue of the sales contracts and the letters of intent for sales is approximately RMB714.49 million. The selling price of various products is referred to current market price and is constant throughout the projection period. With reference to the business track record, the average annual sales growth rate is over 30%, which is comparable to the projected sales growth.

(ii) Cost of sales

The cost of sales is calculated on the basis of historical costs of the business, which is about 79% on average throughout the projection period. The Management aimed to cut the cost through replacement and technical upgrade of its production facilities. With reference to the business track record, the cost of sales has reduced from 95% to 82% of the revenue. According to the management account, the cost of sales for the eleven months ended November 2013 has been further lower to approximately 78% of the revenue.

(iii) Business tax

The business tax mainly includes 城市建設維護税 and 教育費附加 (unofficially translated as "urban and maintenance construction tax and educational surcharge" respectively), which are based on the percentage of value added tax of 5%. In addition, the PRC Company II is also subject to embankment protection fee, which is 0.1% of revenue. Historically, these expenses are nominal in nature.

(iv) Distribution costs administrative expenses

The distribution costs and administrative expenses primarily include the transportation cost, depreciation and staff and management expenses. The distribution cost and administrative expense is projected to approximately 4% and 3% of the revenue respectively. The estimates are calculated on the basis of the historical cost in 2012, which is ranging from 3% to 4%. The percentages of these expenses to the revenue are approximately 3.5%, according to the management account for the eleven months ended November 2013.

(v) Income tax

The PRC Company II is subject to the statutory income tax rate of 25% of income before tax.

With reference to the business track record, the operating margin of the PRC Company II has been improving over the last 3 fiscal years. Based on the management account as at the Valuation Date, the operating margin of the PRC Company II for eleven months ended November 2013 and for the year ended 2012 is 14% and 11% respectively. Having reviewed the industry data of relevant comparable companies, it is also noted that the operating margin is within the range of industrial ratio.

10.4 Discount Rate

To adopt the Income-based Approach, we must first obtain the weighted average cost of capital (WACC) of the company as a basic discount rate. It is the minimum required return that a valuation subject must earn to satisfy its various capital providers including shareholders and debtholders. The WACC is calculated taking into account the relative weights of each component of the capital structure. It is computed using the formula below:

$$\text{WACC} = \text{W}e \times \text{R}e + \text{W}d \times \text{R}d \times (1-\text{T})$$

in which

R*e* = cost of equity
R*d* = cost of debt
W*e* = portion of equity value to enterprise value
W*d* = portion of debt value to enterprise value
T = corporate tax rate

(i) Cost of equity

From a modern portfolio management perspective, typical investors are risk-averse and rational. They make all investment decisions based on risk and return of an investment opportunity. The cost of equity, therefore, should account for the risk premium, which is the required additional return over the risk free rate. Additional risk premiums such as country risk premium and size premium are added to reflect the other risk factors concerning the Business Enterprise. All the estimates are supported by public sources such as Bloomberg and Morningstar. The capital asset pricing model (CAPM) is used to determine the appropriate cost of equity of the Business Enterprise.

Cost of equity = risk free rate + equity beta x market risk premium + size premium + country risk premium

The CAPM states that the required return of the asset is based on the non-diversifiable risk, as represented by the beta, and the market return and the risk free rate. In estimating the beta, we have identified 14 comparable companies listed in Hong Kong and overseas, which are involved in production of building and construction materials. The comparable companies are listed as follows:

Bloomberg stock code	Company name
713 HK	World Houseware Holdings LTD
2009 HK	BBMG Corporation
2355 HK	Baoye Group Co., LTD
3323 HK	China National Building Material
000786 CH	Beijing New Building Material
002596 CH	Hainan Ruize New Building Material
001230 KS	Dongkuk Steel Mill Co. Ltd.
012160 KS	Young Heung Iron & Steel Co.
5271 JP	Toyo Asano Foundation Co. LTD
CEP MK	Concrete Engineering Productions
OKAC MK	OKA Corp BHD
GEN TB	General Engineering PCL
SCP TB	Southern Concrete Pile PCL
BT6 VN	Beton 6 Corp.

The comparable companies above are generally regarded to be subjected to the same systematic risks as the Business Enterprise. Upon the analysis of the identified comparable companies, the beta applicable to the Business Enterprise is estimated to be 0.86.

Cost of equity calculation:

(1) Risk free rate	3.31%
(2) Equity beta	0.86%
(3) Market risk premium	7.51%
(4) Size premium	3.81%
(5) Country risk premium	1.20%
Cost of equity	**14.77%**

* *Figures above are subject to rounding*

Notes:

(1) This is the 10 year average yield of US treasury government bond, which is a mature market risk free rate.

(2) This is the adjusted beta by making reference to public listed companies as listed above with comparable business nature and operation, which are sourced from Bloomberg.

(3) Market risk premium = market rate of return – risk free rate. To derive a long-term equity risk premium, we refer to the 10 year average market rate of return for the United States, sourced from Bloomberg. A mature market equity risk premium is used since we derive a stable, long-term discount rate for use in the valuation; therefore we have adopted the average market return of the United States instead of one from developing equity markets. The country risk premium (in Note 5 below) reflects the location of operation of the Business Enterprise.

(4) Based on the research published by Ibbotson Associates, Inc. (as referenced from "2013 Ibbotson SBBI Valuation Yearbook"), the CAPM does not fully account for the higher returns of smaller company stocks.

According to their research data of historical returns from 1926 – 2012 of micro-cap companies, the size premium (returns in excess of those predicted by CAPM) is 3.81%.

(5) This is the increased risk with operating in the PRC where the risk profile is different to the market premium applied in our analysis, including business risk, financial risk, liquidity risk, exchange rate risk & country risk. We refer to the data and methodology derived on Damodaran Online (http://pages.stern.nyu.edu/~adamodar/), updated for July 2013, in determining the country risk premium for the PRC.

Damodaran Online is prepared by Aswath Damodaran, who is currently a Professor of Finance at the Stern School of Business at New York University. Mr. Damodaran teaches valuation and corporate finance courses in the MBA program and has published several books, including four books on equity valuation and two on corporate finance. He has also published papers in the Journal of Financial and Quantitative Analysis, the Journal of Finance, the Journal of Financial Economics and the Review of Financial Studies. He received his MBA and Ph.D from the University of California at Los Angeles.

Given the above variables, we have derived the cost of equity of 14.77%.

(ii) Cost of debt

The cost of debt was estimated with reference to the China Above 5 Years Best Lending Rates. As at the Valuation Date, the China Above 5 Years Best Lending Rates was 6.55%.

(iii) Weight of debt

The current debt level of the Business Enterprise is not desirable given its stage of development. To stay competitive in the industry, it is reasonable to assume that the Business Enterprise should achieve a debt level toward the average of the weight of debt of its industry comparables. Through the analysis of the industry comparables, the weight of debt is estimated as 34%.

(iv) Weight of equity

The weight of equity is estimated as 66% by adopting the same basis as above.

The discount rate considered appropriate for this valuation as at the Valuation Date, taking into account of the above factors, is 11.37%, which is then applied to the after tax cash flow.

10.5 Non Cash Working Capital

The non-cash working capital is estimated to be 17% of the revenue by making reference to that of comparable companies, relevant data and research sourced from Damodaran Online and the track record of the business.

10.6 Capital Expenditure

To cope with the proposed expansion, the total capital expenditure of the PRC Company I and the PRC Company II is estimated to approximately RMB20 million and RMB34 million respectively.

10.7 Terminal Growth

The terminal growth rate adopted is approximately 3%, which is based on the inflation rate sourced from IMF.

10.8 Marketability Discount

In addition, we have adopted a lack of marketability discount of approximately 20% for the Business Enterprise as ownership interest in closely held companies are typically not readily marketable compared to similar interest in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. The marketability discount for ownership interest in private companies can range from 3% to 35% according to empirical research.

In our valuation, we applied an option pricing model to estimate the marketability discount. A discount for lack of marketability can be estimated by a put option since the holder can purchase an at-the-money put option of similar stock to hedge the current value of the underlying stock.

10.9 Non-operating Assets and Liabilities

In computing the market value of the Business Enterprise, we have adjusted the assessed enterprise value for the non-operating assets and liabilities as at the Valuation Date. Based on the management accounts provided by the Management, the non-operating assets and liabilities of the PRC Companies are as follows:

(i) PRC Company I

	RMB ('000)
Excess cash	1,861
Interest bearing debts	54,464
Other non-operating assets	62,263
Other non-operating liabilities	16,573

* *Figures above are subject to rounding*

(ii) PRC Company II

	RMB ('000)
Excess cash	0
Interest bearing debts	20,948
Other non-operating assets	3,898
Other non-operating liabilities	21,541

* *Figures above are subject to rounding*
Note: The figures above are adjusted on the basis of effective interest

11.0 VALUATION ASSUMPTIONS

- For the Group to continue as a going concern, the Group will successfully carry out all necessary activities for the development of its businesses;

- The availability of finance will not be a constraint on the forecast growth of the Group's operations in accordance with the business plans and the projections;

- The contractual parties of the agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties;

- Market trends and conditions where the Group operates will not deviate significantly from the economic forecasts in general;

- The unaudited financial statements of the Group as supplied to us have been prepared in a manner which truly and accurately reflect the financial position of the Group as at the respective balance sheet dates;

- Key management, competent personnel and technical staff will all be retained to support the ongoing operations of the Group;

- There will be no material changes in the business strategy of the Group and its operating structure;

- Interest rates and exchange rates in the localities for the operation of the Group will not differ materially from those presently prevailing;

- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Group operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Group operates or intends to operate, which would adversely affect the revenues and profits attributable to the Group.

12.0 SENSITIVITY ANALYSIS

As part of our analysis, we have performed a sensitivity analysis of our market value derived from Income-based Approach. We have tested the sensitivity of the market value of the Business Enterprise to change of discount rate and growth rate, which are the underlying variables considered to be risk exposures of the Business Enterprise. The results are presented as follows:

Changes in Market Value

	(HK$'000)
Discount rate	
1% increase in discount rate	(75,705)
1% decrease in discount rate	96,513
Growth rate	
1% increase in growth rate	71,143
1% decrease in growth rate	(55,957)

The above sensitivity analysis is for reference only and it is intended to show the possible outcome under different market conditions. Due to the existence of other uncertainties, the actual result could exceed the ranges shown above.

13.0 LIMITING CONDITIONS

Our conclusion of the market value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

This valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report is reasonable and accurately determined. The data, opinions, or estimates as identified or being furnished by others, which have been used in formulating this analysis, are gathered from reliable sources, however, no guarantee is made nor liability assumed for their accuracy.

We have made reference to the information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and that any material facts have been omitted from the information provided. No responsibility for operational and financial information that have not been provided to us is accepted.

The Management has reviewed and agreed on the report and confirmed the content of the report.

We have not investigated the title to or any legal liabilities of the Group and have assumed no responsibility for the title to the Group.

Save as and except for the purpose stated above, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value(s) are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value represents the consideration based on information furnished by the Company/engagement parties and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

We would particularly point out that our valuation was based on the information such as company background, business nature, market share, future prospect as well as the business plan of the Group provided to us.

14.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HK$).

We hereby confirm that we have neither present nor prospective interests in the Group, the Company and its subsidiaries and associated companies, or the value reported herein.

15.0 OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, we are of the opinion that the market value of the 100% equity interest of the Business Enterprise as at the Valuation Date was in the sum of **HK$564,860,000 (HONG KONG DOLLARS FIVE HUNDRED AND SIXTY FOUR MILLION EIGHT HUNDRED AND SIXTY THOUSAND ONLY)**.

Yours faithfully,
For and on behalf of
Peak Vision Appraisals Limited
Nick C. L. Kung
MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer
Director, Corporate Valuations

Note: Mr. Nick C. L. Kung is a Registered Professional Surveyor and Registered Business Valuer of the Hong Kong Business Valuation Forum (HKBVF) who has more than 8 years of experience in the valuation of trade-related business assets and business enterprises in Hong Kong and the PRC.

BDO

Tel: +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

香港干諾道中111號
永安中心25樓

The Board of Directors
Sunway International Holdings Limited
Room 1708–1710
Nan Fung Centre
264–298 Castle Peak Road
Tsuen Wan, New Territories
Hong Kong

31 March 2014

Dear Sirs

SUNWAY INTERNATIONAL HOLDINGS LIMITED (the "Company") AND ITS SUBSIDIARIES (together referred to as the "Group") DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION ON JOINT EXPERT GLOBAL LIMITED (the "Target") AND ITS SUBSIDIARIES (together referred to as the "Target Group")

INDEPENDENT ASSURANCE REPORT

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the valuation (the "**Valuation**") dated 31 March 2014 prepared by Peak Vision Appraisals Limited in respect of the fair value of the Target as at 30 November 2013 is based. The Valuation is set out in Appendix IV to the circular of the Company dated 31 March 2014 (the "**Circular**") in connection with the proposed acquisition of the entire issued share capital of the Target by the Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND OURSELVES

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors as detailed in Appendix IV of the Circular. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions adopted in the valuation.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions determined by the directors of the Company as detailed in Appendix IV of the Circular. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors of the Company.

The discounted cash flows in the Valuation do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows in respect of the Valuation, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions made by the directors of the Company as detailed in Appendix IV of the Circular.

Yours faithfully
BDO Limited

Date: 31 March 2014

The Board of Directors
Sunway International Holdings Limited

Dear Sirs,

Sunway International Holdings Limited (the "Company") – Possible Very Substantial Acquisition

We refer to the profit forecasts (the "**Forecasts**") underlying the valuation report (the "**Valuation Report**") prepared by Peak Vision Appraisals Limited ("**Peak Vision**") in respect of the appraisal of the fair market value of the 100% equity interests of Joint Expert Global Limited, together with its subsidiaries, (the "**Business Enterprise**") as at 30 November 2013. The Valuation Report has been set out in appendix IV to the circular of the Company dated 31 March 2014 which this letter forms part.

The Valuation Report, which has been arrived at using the discounted present value of cash flow method, is regarded as a profit forecast under Rule 14.62 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

We have been engaged to assist the directors of the Company (the "**Directors**") for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and for no other purpose. We are not reporting on the arithmetical calculations of the Forecasts and the adoption of accounting policies thereof, and our work does not constitute any valuation of the Business Enterprise. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

We have reviewed the Forecasts upon which the Valuation Report has been made for which you as the Directors are solely responsible, and have discussed with you and Peak Vision the information and documents provided by you which formed part of the bases and assumptions upon which the Forecasts have been prepared. We have also considered the letter from BDO Limited dated 31 March 2014 addressed to yourselves regarding the arithmetical calculations upon which the Forecasts have been made. The Forecasts have been prepared using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur and, as such, the Forecasts may not be appropriate for purposes other than for deriving the Valuation Report. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to differ from the Forecasts since such anticipated events frequently may or may not occur as expected and the variation may be material.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by Peak Vision, for which Peak Vision and the Company are responsible, we are of the opinion that the Forecasts, for which you as the Directors are solely responsible, have been made by you after due and careful enquiry in accordance with the bases and assumptions determined by you and Peak Vision as set out in the Valuation Report.

Yours faithfully,
For and on behalf of
Bridge Partners Capital Limited

Monica Lin
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Enlarged Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make may statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the Completion were and are expected to be as follows:

As at the Latest Practicable Date

Authorised share capital:		*HK$*
10,000,000,000	Shares	1,000,000,000.00
Issued and fully paid:		
1,016,001,301	Shares	101,600,130.10

Immediately after full conversion of the Convertible Notes (for illustration purpose)

Authorised share capital:		*HK$*
10,000,000,000	Shares	1,000,000,000.00
Issued and fully paid:		
1,016,001,301	Shares	101,600,130.10
1,000,000,000	Conversion Shares to be issued upon the exercise of the Convertible Notes in full	100,000,000.00
Total:		
2,016,001,301	Shares	201,600,130.10

All of the Shares in issue and to be issued rank and will rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Shares and the Conversion Shares in issue and to be issued are or will be listed on the Stock Exchange.

3. DISCLOSURE OF INTEREST

(a) Interests of the Directors and the chief executive of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the existing Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange:

Name of Shareholders	Capacity and nature of interest	Number of Shares held (Position)	Total (Position)	Approximate percentage of the issued share capital of the Company
Ms. Wong King Ching, Helen	Beneficial owner	200,000 (L)	280,200,000 (L)	27.58%
	Interest of controlled corporation *(Note 1)*	280,000,000 (L)		
Ms. Wong King Man	Beneficial owner *(Note 2)*	49,648,000 (L)	329,648,000 (L)	32.45%
	Interest of controlled corporation *(Note 1)*	280,000,000 (L)		
Ms. Wong Chun Ying	Beneficial owner *(Note 2)*	49,648,000 (L)	49,648,000 (L)	4.89%
Mr. Wong Kim Seong	Beneficial owner	10,000,000 (L)	10,000,000 (L)	0.98%

Notes:

1. These shares are beneficially owned by Farnell Profits Limited, the entire issued share capital of which was previously held by the late Mr. Wong Choi Fung ("**Mr. Wong**") and currently forms part of the estate of the late Mr. Wong. Ms. Wong King Ching, Helen and Ms. Wong King Man, Directors of the Company, are beneficiaries of the said estate, whose interest in the shares of Farnell Profits Limited is not yet ascertained until completion of the administration of estate of the late Mr. Wong.

2. These shares are jointly held by Ms. Wong King Man and Ms. Wong Chun Ying.

(b) Interests of the substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following person had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group:

Name of Shareholders	Capacity and nature of interest	Number of Shares held (Position)	Total (Position)	Approximate percentage of the issued share capital of the Company
Farnell Profits Limited	Beneficial owner *(Note 1)*	280,000,000 (L)	280,000,000 (L)	27.56%

Note:

1. The entire issued share capital of Farnell Profits Limited was previously held by the late Mr. Wong and currently forms part of the estate of the late Mr. Wong. Ms. Wong King Ching, Helen and Ms. Wong King Man, Directors of the Company, are beneficiaries of the said estate, whose interest in the shares of Farnell Profits Limited is not yet ascertained until completion of the administration of estate of the late Mr. Wong.

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

4. DIRECTORS' SERVICE CONTRACTS

Ms. Wong King Ching, Helen, and Mr. Leung Chi Fai entered into service contracts with the Company for an initial term of three years commencing from 1 August 1999 which continues thereafter until terminated by not less than three months' notice in writing served by either party on the other. The Company has extended the service contracts with these Directors until 31 July 2014.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor proposed Directors had any existing or proposed service contracts with any member of the Enlarged Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

The non-executive Directors are subject to retirement by rotation in accordance with the Company's Bye-laws.

5. DIRECTORS' INTERESTS IN THE ENLARGED GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP

As at the Latest Practicable Date, none of the Directors or proposed Directors, directly or indirectly, had any interest in any assets which had since 30 September 2013 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group. There was no contract or arrangement subsisting at the Latest Practicable Date, in which any of the Directors were materially interested and which was significant to the business of the Enlarged Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Enlarged Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company).

7. QUALIFICATIONS AND CONSENTS OF EXPERTS

The followings are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
BDO Limited	Certified public accountants
Bridge Partners Capital Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Peak Vision Appraisals Limited	Independent valuer
Grandall Law Firm (Shenzhen)# (國浩律師(深圳)事務所)	Practicing lawyers in the PRC

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, each of above experts was not beneficially interested in the share capital of any member of the Enlarged Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group, since 30 September 2013, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business of the Enlarged Group) had been entered into by the Enlarged Group within two years immediately preceding the date of this circular which are or may be material:

(a) the Sale and Purchase Agreement;

(b) the loan agreement dated 10 June 2012 with respect to loans of RMB78,750,000 granted by the Group to an independent third party. The balance was fully settled during the year; and

(c) the loan agreement dated 9 June 2012 with respect to loans of RMB44,000,000 granted by the Group to an independent third party. The balance was fully settled during the year.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

10. MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal office of the Company is situated at Room 1708-1710 Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Ltd. at 26/F, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong.

(c) The company secretary of the Company is Mr. Leung Chi Fai ("**Mr. Leung**"). Mr. Leung joined the Group since 1996. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

(d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's head office and principal place of business in Hong Kong at Room 1708-1710 Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this circular up to and including the date of the SGM:

(a) the Memorandum of Association of the Company;

(b) the Bye-laws of the Company;

(c) the accountants' report on the Target Group as set out in Appendix IIA to this circular;

(d) the report on unaudited pro forma financial information on the Enlarged Group as set out in Appendix III to this circular;

(e) the independent valuation report as set out in Appendix IV to this circular;

(f) the letter from BDO Limited in relation to the independent valuation report as set out in Appendix V to this circular;

(g) the letter from Bridge Partners Capital Limited in relation to the independent valuation report as set out in Appendix VI to this circular;

(h) the material contracts as referred to under the section headed "Material Contracts" in this appendix;

(i) the written consents from the experts as referred to under the section headed "Qualifications and Consents of Experts" in this appendix;

(j) the annual reports of the Company for each of the three years ended 30 September 2011, 2012 and 2013; and

(k) this circular.

SUNWAY INTERNATIONAL HOLDINGS LIMITED
新威國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 58)

NOTICE IS HEREBY GIVEN THAT the special general meeting (the "**SGM**") of Sunway International Holdings Limited (the "**Company**") will be held at Room 1708–1710, Nan Fung Centre, 264–298 Castle Peak Road, Tsuen Wan, Hong Kong on Tuesday, 22 April 2014 at 10:30 a.m. to consider and, if thought fit, pass with or without amendments the following resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the conditional sale and purchase agreement dated 3 October 2013 (as supplemented by a supplemental agreement dated 30 January 2014) entered into among First Billion Global Limited as purchaser, Mr. Xiao Guang Kevin as vendor (the "**Vendor**") and Mr. Wong Zhining as guarantor relating to the acquisition of the entire issued share capital of Joint Expert Global Limited, at an aggregate consideration of HK$550 million (the "**Agreement**") (a copy of which has been produced to the Meeting marked as "A" for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the issue by the Company of the promissory note in the principal amount of HK$100 million (the "**Promissory Note**") to the Vendor for settlement of part of the consideration upon completion of the Agreement be and are hereby approved, confirmed and ratified;

(c) subject to and conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in not more than 1,000,000,000 new shares of HK$0.10 each in the share capital of the Company (the "**Conversion Shares**"), the directors of the Company (the "**Directors**") be and are hereby generally and specifically authorized to issue the conditional convertible notes in the principal amount of HK$300 million (the "**Convertible Notes**") which could be converted into the Conversion Shares at the conversion price of HK$0.30 per share, subject to adjustment, to the Vendor (or his nominee(s)) for settlement of part of the consideration pursuant to the terms and conditions of the Agreement;

* *For identification purposes only*

(d) the Directors be and are hereby generally and specifically authorized to allot and issue the Conversion Shares credited as fully paid upon exercise of the conversion rights attaching to the Convertible Notes (the "**Specific Mandate**"), and that the Conversion Shares shall, when allotted and issued, rank pari passu in all respects with all other shares of the Company in issue on the date of such allotments and issue, and that the Special Mandate is in addition to, and shall not prejudice nor revoke any existing general mandate granted to the Directors by the shareholders of the Company in an annual general meeting of the Company or such other general or special mandate(s) which may from time to time be granted to the Directors prior to the passing of this Resolution; and

(e) any one Director be and is hereby authorized for and on behalf of the Company to do all such acts and things, to sign and execute any agreements pursuant to and/or supplemental to the Agreement, the Promissory Note and the Convertible Notes; and all such other documents, deeds, instruments and agreements and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the said agreements or any of the transactions contemplated thereunder or incidental to any of them and all other matters incidental thereto."

By order of the Board
Sunway International Holdings Limited
Wong King Ching, Helen
Chairman

Hong Kong, 31 March 2014

Notes:

(1) Any shareholder of the Company (the "**Shareholder(s)**") entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder.

(2) The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

(3) Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.

(4) Where there are joint Shareholders any one of such joint Shareholder may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of shareholders of the Company in respect of the joint holding.

(5) The form of proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Tengis Ltd. at 26/F, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the SGM or any adjournment thereof, not less than 48 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.