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 you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kong Sun Holdings Limited (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale and transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

KongSun 江山

KONG SUN HOLDINGS LIMITED
江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

(1) SUBSCRIPTION OF NEW SHARES
(2) APPLICATION FOR WHITEWASH WAIVER
AND
(3) NOTICE OF EGM

Financial Adviser to the Company

KINGSTON CORPORATE FINANCE LTD.

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

PLATINUM Securities

A letter from the Board is set out on pages 4 to 19 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 20 to 21 of this circular.

A letter from Platinum Securities Company Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 46 of this circular.

A notice convening the EGM to be held at 37/F, Cosco Tower, 183 Queen's Road Central, Hong Kong on 28 July 2014 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event, not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof should you so wish.

11 July 2014

CONTENTS

Page

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"acting in concert"	has the meaning ascribed thereto in the Takeovers Code;
"Agreement"	the agreement dated 28 May 2014 between the Company and the Investor;
"Announcement"	the announcement of the Company dated 10 June 2014 in relation to the Subscription;
"associate"	has the meaning ascribed thereto in the Listing Rules;
"Board"	the board of the Company;
"Business Day"	any day (other than Saturday, Sunday, a public holiday or a day on which typhoon signal no. 8 or above or a "black" rainstorm warning is hoisted in Hong Kong) on which banks in Hong Kong are generally open for business;
"Company"	Kong Sun Holdings Limited, a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange;
"Completion"	completion of the Subscription;
"Concert Group"	the Investor, the Consultants and the parties acting in concert with any of them;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Consultants"	Mr. CHANG Donglai (常東來), Mr. LUO Tiegeng (羅鐵庚), Mr. LU Bin (鹿斌), Mr. DENG Chengli (鄧成立) and Mr. XIANG Jun (向軍);
"Directors"	the directors of the Board;
"EGM"	the extraordinary general meeting of the Company to be held to approve, among other things, the Subscription and the Whitewash Waiver and any adjournment thereof;

"Executive"	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of the Executive Director;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	an independent board committee, comprising all the independent non-executive Directors;
"Independent Financial Adviser"	Platinum Securities Company Limited, a licensed corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Subscription and the Whitewash Waiver;
"Independent Shareholders"	Shareholders other than (1) the Concert Group and (2) Shareholders who are interested or involved in the Subscription and the Whitewash Waiver;
"Investor"	Pohua JT Private Equity Fund L.P., a private equity investment fund established in the Cayman Islands;
"Latest Practicable Date"	9 July 2014, being the latest practicable date for the purpose of ascertaining certain information contained in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Stop Date"	30 August 2014;
"Memorandum"	the memorandum of understanding dated 29 March 2014 between the Company and the Investor;
"Relevant Period"	the period commencing six months prior to the date of the Announcement up to and including the Latest Practicable Date;

"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong);
"Shares"	ordinary shares of HK$0.01 each of the Company;
"Shareholders"	holders of Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subscription"	the proposed subscription for the Subscription Shares by the Investor and the Consultants;
"Subscription Price"	HK$0.36 per Subscription Share;
"Subscription Shares"	6,528,080,000 new Shares;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers;
"Whitewash Waiver"	whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of any obligation of the Concert Group to make a mandatory general offer to the Shareholders in respect of the Shares not already owned (or agreed to be acquired) or subscribed by the Concert Group as a result of the issue of the Subscription Shares; and
"%"	percent.

KONG SUN HOLDINGS LIMITED
江山控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 295)

Executive Directors:
Mr. Yu Pak Yan, Peter *(Chairman)*
Mr. Chang Hoi Nam
Mr. Liu Wen Ping

Independent non-executive Directors:
Mr. Man Kwok Leung
Mr. Miu Hon Kit
Dr. Wong Yun Kuen

Registered Office and Principal Place of Business in Hong Kong:
Unit 905, 9th Floor
Wings Building
110-116 Queen's Road Central
Hong Kong

11 July 2014

To the Shareholders

Dear Sir or Madam,

(1) SUBSCRIPTION OF NEW SHARES
(2) APPLICATION FOR WHITEWASH WAIVER
AND
(3) NOTICE OF EGM

INTRODUCTION

On 10 June 2014, the Board announced that the Company entered into the Agreement whereby the Company has conditionally agreed to allot and issue, and the Investor has conditionally agreed to subscribe or procure the subscription in cash for, 6,528,080,000 new Shares at the price of HK$0.36 per Share.

The purposes of this circular are: (i) to provide you with further information relating to the Subscription and the Whitewash Waiver; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) to set out the recommendations of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) to provide you with the financial information of the Group and other information as required under the Takeovers Code and the Listing Rules; and (v) to give you the notice of the EGM.

THE SUBSCRIPTION

The Agreement

Date

28 May 2014

Parties

(1) the Company; and

(2) the Investor.

The Investor is independent of the Company and its connected persons.

The Subject Matter

The Company has conditionally agreed to allot and issue, and the Investor has conditionally agreed to subscribe or procure the subscription, 6,528,080,000 new Shares at HK$0.36 per Share.

The Subscription Shares

The Subscription Shares represent approximately 370.35% of the issued share capital of the Company as at the Latest Practicable Date of 1,762,662,519 Shares, and approximately 78.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Agreement and up to Completion).

The Subscription Shares, when issued and fully-paid, will rank pari passu in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Subscription Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of the Subscription Shares.

The Subscription Shares have a total value of HK$2,350,108,800 and a market value of approximately HK$5,810,000,000 based on the closing price of the Shares of HK$0.89 on 28 May 2014. The net price of the Subscription Shares is approximately HK$0.358 per Share.

The issue of the Subscription Shares is subject to approval by the Independent Shareholders. An ordinary resolution will be proposed at the EGM to seek, among other things, a specific mandate to issue the Subscription Shares pursuant to the Agreement.

The Subscription Price

On 29 March 2014, the Investor and the Company entered into the Memorandum. The key terms of the Memorandum were set out in the announcement of the Company dated 30 March 2014. The Subscription Price was determined after arm's length negotiations with reference to the prevailing market prices of the Shares as at the date of the signing of the Memorandum.

The Subscription Price represents:

(a) a discount of approximately 1.37% to the closing price of the Shares of HK$0.365 per Share as quoted on the Stock Exchange on 28 March 2014, the last trading day prior to the date of the Memorandum;

(b) a discount of approximately 59.55% to the closing price of the Shares of HK$0.89 per Share as quoted on the Stock Exchange on 28 May 2014, the date of the Agreement and the last trading date immediately preceding the Rule 3.5 announcement under the Takeovers Code;

(c) a discount of approximately 59.18% to the average closing prices of the Shares of HK$0.882 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 28 May 2014;

(d) a discount of approximately 58.86% to the average closing prices of the Shares of HK$0.875 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 28 May 2014; and

(e) a discount of approximately 72.73% to the closing price of the Shares of HK$1.32 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was agreed by the parties under the Memorandum.

Conditions

Completion is conditional upon:

(a) the passing by the Independent Shareholders (other than those prohibited from voting under the Listing Rules and/or the Takeovers Code, if applicable) of all necessary resolutions at the EGM approving:

    (i) the Agreement and the transactions contemplated thereunder including (but not limited to) the issue of the Subscription Shares in accordance with the terms of the Agreement; and

    (ii) the grant of the Whitewash Waiver;

(b) the Executive granting the Whitewash Waiver, and such waiver not having been revoked or withdrawn;

(c) the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares (and such permission and listing not subsequently being revoked prior to the delivery of the definitive certificate(s) with respect to the Subscription Shares);

(d) all other requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Agreement having been obtained by the Company;

(e) the current listing of the Shares not having been withdrawn and the Shares continuing to be traded on the Stock Exchange (save for any temporary suspension of not more than 14 consecutive business days (as defined in the Listing Rules) or any suspension pending clearance of any announcement in connection with the execution of the Agreement or the transactions contemplated thereunder); and no indication having been received on or before the date of Completion from the Stock Exchange or the SFC to the effect that the listing of the Shares may be withdrawn or objected to for any reason having arisen which may adversely affect the listing status of the Company on the Stock Exchange;

(f) the Investor being reasonably satisfied that there has been no material adverse change to the financial position and operations of the Company since the date of the Agreement;

(g) as at the date of Completion:

   (i) the warranties under the Agreement remaining accurate and correct in all material respects at, and as if made on, such date;

   (ii) the Company having performed all of its obligations under the Agreement expressed to be performed on or before such date in all material respects; and

   (iii) there shall have been delivered to the Investor a certificate (in the form reasonably satisfactory to the Investor), dated as of Completion, of a duly authorised officer of the Company to such effect; and

(h) the Investor, being satisfied (in its sole discretion acting reasonably) with the results of such enquiries, investigations and due diligence review of the business, affairs, operations and financial position and projections of the Group carried out by the Investor or any of its officers, employees, agents, professional advisers or other persons authorised by the Investor as the Investor in its discretion deems necessary, desirable or appropriate to undertake and issuing to the Company a notice in writing to such effect.

The Investor may, in its absolute discretion, waive conditions (d), (f), (g) and (h) at any time by notice in writing to the Company. If the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders at the EGM, the Subscription will not proceed.

In the event that the conditions to the Agreement are not fulfilled or waived by the Investor pursuant to the terms of the Agreement (as the case may be) by the Long Stop Date, the parties will not be bound to proceed with the Subscription, and the Agreement will be automatically terminated and cease to be of any effect, save in respect of claims arising out of any antecedent breach of the Agreement.

Completion

Completion will take place on the third Business Day following the fulfilment of the conditions to the Agreement or waiver thereof (as the case may be). At Completion, the Company will allot and issue 5,835,820,000 new Shares to the Investor and 692,260,000 new Shares to the Consultants, as directed by the Investor. The Consultants will pay the Subscription Price for their Shares.

REASON FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is principally engaged in properties investment, manufacturing and sale of life-like plants and securities investment.

As stated in the 2013 annual report of the Company, the Company is looking for new investments and business opportunities. On 29 March 2014, the Company and the Investor entered into the Memorandum to establish a funding source for such purposes.

The Company entered into a memorandum of understanding on 22 April 2014 in connection with the acquisition of the development rights to a 30 mega-watts photovoltaic power station in Gansu Province. The estimated investment cost for the development of the 30 mega-watts photovoltaic power station is approximately RMB255 million (approximately HK$318.75 million) (the "Gansu Project").

On 29 April 2014, the Company entered into a cooperation agreement and an intermediary agreement on the proposed acquisition of a 50 mega-watts photovoltaic power station in Lincheng County, Hebei Province. The estimated investment cost for the development of the 50 mega-watts photovoltaic power station is approximately RMB425 million (approximately HK$531.25 million) (the "Hebei Project").

On 30 April 2014, the Company acquired the entire equity interests in a project company engaging in the development of a 10 mega-watts photovoltaic power station in Inner Mongolia. The estimated investment cost for the development of the 10 mega-watts photovoltaic power station is approximately RMB85 million (approximately HK$106.25 million).

On 30 April 2014, the Company entered into a memorandum of understanding for the joint development of photovoltaic power stations in Anhui and Yunnan provinces with an aggregate capacity of 261 mega-watts. The current plan is that the Company will take a 50% interest in the joint development. The estimated investment cost for the development of the 261 mega-watts photovoltaic power stations is approximately RMB2,140 million (approximately HK$2,675 million), of which the cost attributable to the Company is estimated to be approximately RMB1,070 million (approximately HK$1,337.5 million) (the "Auhui and Yunnan Project").

On 7 July 2014, the Group acquired the entire equity interest in 榆林市比亞迪新能源有限公司 (Yulin City BYD New Energy Co., Ltd.), a project company engaged in the development of a 300 mega-watts photovoltaic power station in Shaanxi Province, the PRC, for RMB204 million (approximately HK$255 million). The estimate cost for the development of the 300 mega-watts photovoltaic power station is approximately RMB2,700 million (approximately HK$3,375 million).

China, the world's largest carbon emitter, plans to speed up its solar power development to cut its reliance on coal. Photovoltaic power generation is a significant way to deal with the energy crisis and protect the environment in China. In May 2014, the National Development and Reform Commission of the PRC announced the increase in solar capacity target to 70 GW by 2017. According to the New Tariff Notice by the National Development and Reform Commission of the PRC on 30 August 2013, the ground projects with on-grid approval on and after 1 January 2014, have to be divided into three tiers and different tariff would be assigned according to their locations, at RMB0.90, RMB0.95 and RMB1.00 per KWh. The above revision in government policy leads a reduction in revenue estimation in terms of tariff as revenue is derived by multiplication of electricity tariff and power generated by the power plants under the projects. Given that new energy and environmental protection projects are encouraged by governmental policy, the Board is of the view that the photovoltaic power industry presents a good opportunity for the Company to involve in an industry sector supported by favourable governmental policy, environmental friendly, and with significant development potential. To this end, the Company seeks to raise funds by way of the Subscription to finance the acquisitions and development of the photovoltaic power projects of the Group. Based on the signed agreements relating to the acquisitions of photovoltaic power projects in Inner Mongolia and Shaanxi provinces (the "Committed Projects"), the Company would require funding of approximately RMB2,785 million (equivalent to approximately HK$3,481 million) to complete these projects. The Group targets to complete the acquisitions of the Gansu Project, the Hebei Project and the Anhui and Yunnan Project and providing the Group with a combined generation capacity of 600 MW by end December 2014. Save for the Gansu Project, the Hebei Project and the Anhui and Yunnan Project, the Company is in preliminary discussions with several parties on the acquisition or cooperation in photovoltaic power projects in the PRC. As at the Latest Practicable Date, save for the Gansu Project, the Hebei Project and the Anhui and Yunnan Project, the Company has not entered into any other memorandum of understanding or letter of intent in respect of any potential acquisitions or disposals. The Company will make announcement in compliance with the Listing Rules and the Inside Information provisions under the SFO if any binding memorandum of understanding or letter of intent with respect to additional photovoltaic power projects is signed.

The Company is of the view that the Subscription provides a good opportunity for the Company to raise long-term equity fund to finance its investment in the photovoltaic power projects. In addition, the Directors are confident that the Investor will bring in additional resources and investment opportunities to the Company that are beneficial to the Company and the Shareholders as a whole.

Having taken into account the aforementioned factors, the Directors (including the independent non-executive Directors after taking the advice of the Independent Financial Adviser) considered that it is in the interest of the Company and the Shareholders as a whole to proceed with the Subscription.

As the Subscription is subject to the Independent Shareholders' approval, the Independent Shareholders can make their own decision in voting on the relevant resolution in respect of the Subscription after considering the advice from the Independent Board Committee which has been advised by the Independent Financial Adviser.

The net proceeds from the Subscription, after deduction of all related expenses, of approximately HK$2,338 million, are intended to be applied (i) as to approximately HK$2,293 million to finance the acquisition and development of photovoltaic power projects of the Group and (ii) as to approximately HK$45 million as general working capital of the Group in anticipation of more personnel and the expected increase in office rental expenditures. Subject to Completion, it is intended that the proceeds from the Subscription will be used to finance the Committed Projects as follows:

(i) as to approximately RMB58 million (approximately HK$72.5 million) to finance the project at Inner Mongolia, of which RMB9 million (approximately HK$11.25 million) will be used in land reclamation in July 2014 and RMB49 million (approximately HK$61.25 million) will be used in acquisition of plant and machinery and installation work of the plant in August to September 2014; and

(ii) as to approximately RMB1,776 million (approximately HK$2,220 million) to finance the project at Shannxi, of which RMB270 million (approximately HK$337.5 million) will be used in the acquisition of Yulin City BYD New Energy Co. Ltd. (as disclosed in the announcement of the Company dated 7 July 2014) and land reclamation in July 2014 and RMB1,506 million (approximately HK$1,882 million) will be used in acquisition of plant and machinery and installation work of the plant in August to September 2014.

If the Committed Projects are not completed, the proceeds from the Subscription will be used to finance the Gansu Project, the Hebei Project and the Anhui and Yunnan Project. Given the shareholders will also contemplate the intention of such alternative use of proceeds as disclosed in this circular, no separate shareholders' approval will be required.

The Company has firm plans to invest approximately HK$1,065 million for the purchase of plant and machinery for these Committed Projects before end-July 2014. The Company has to incur further committed investment costs, including acquisition costs, for the Committed Projects in the amount of approximately HK$928 million, which are payable in August/September 2014.

Shareholders and investors should note that photovoltaic power is a new industry in which the Company has not been involved in, and that the Directors and the management of the Company have no previous experience managing power stations Accordingly, the Company will recruit management and technical personnel experienced in the sector to help manage the development and operation of the photovoltaic power projects.

Risk factors

Shareholders and investors should note that photovoltaic technologies are relatively new and has not been heavily relied on in the PRC previously. Although it is currently a sector being supported by the government, its development may be affected if there is any change to government policies. Moreover, significant decrease in price of fossil fuels such as oil, coal and natural gas may reduce the costs of traditional energy and affect the competitiveness or interest in renewable energy.

The Company believes that its future success in the photovoltaic power sector would depend on the Company's ability to implement its plan of development of the photovoltaic power projects on time. As such developments require substantial capital expenditure, significant engineering efforts, timely delivery of plant and equipment and substantial management attention, any delay in the development plan of the photovoltaic power projects would delay the ability of the Company to generate revenue from the projects which will in turn affect the prospects of the Company and its profitability.

In light of the above risks and uncertainties, Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

BACKGROUND OF THE INVESTOR AND THE CONSULTANTS

The Investor is a private equity fund established in the Cayman Islands for leverage buyout and growth capital transaction focusing on investments in the environmental protection, clean energy, consumer retailing, healthcare and technological development sectors. As at the Latest Practicable Date, the Investor had assets under its management of approximately US$600 million. Investors in such investment fund are limited partners. The general partner of the Investor is Pohua JT Capital Partners Limited and it controls the investment decisions of the Investor.

The Consultants are five individuals who are experienced in the development of photovoltaic power projects. Each of the Consultants is independent of and not connected with the Company. One of the partners in the Investor knows Mr. Xiang Jun, one of the Consultants, and introduced Mr. Xiang to the Investor. Mr. Xiang is an expert in photovoltaic and wind power generation. With one of the investment focuses of the

Investor being the new energy sector, representatives of the Investor reached out to Mr. Xiang for his view regarding the power generation industry in the PRC. After the signing of the Memorandum, the Investor introduced Mr. Xiang to the Company and Mr. Xiang introduced the other four Consultants, who are his current and former colleagues, to the Company.

The Consultants are concert parties of the Investor. None of the Consultants is a director or close relative of any of the directors of the Investor or any parent company of the Investor; none of the Consultants has funds managed by the Investor on a discretionary basis; none of the Investor or persons controlling or controlled by or under the same control as the Investor acts as financial or other professional adviser to any of the Consultants; none of the Consultants is a partner with the Investor; and the Investor has not provided any finance or financial assistance directly or indirectly to any of the Consultants in connection with the acquisition of the Subscription Shares by the Consultants.

The Investor believes that the Company would benefit from the Consultants' experience and connections in the photovoltaic power sector for its investment in the sector and has raised with the Consultants and the Company the proposal for the Consultants to invest in the Company. The experience of the Consultants is set out below:

Mr. CHANG Donglai (常東來) has extensive experience in conducting technical reviews and technical training work, including wind and solar hybrid systems and generation systems and large photovoltaic power plant systems. He has participated in the technical works relating to the IEC international standards TC82 and IEC Task27.

Mr. LUO Tiegeng (羅鐵庚) has more than 20 years of experience in research and the management of technical support and project design work. He has been involved in the development of several photovoltaic power stations in the PRC.

Mr. LU Bin (鹿斌) has more than 10 years of experience in operational management in new energy projects in the PRC and has extensive experience in financial management, human resources and training and investment solutions. He has monitored the progress of substantial new energy projects such as wind and solar hybrid system and an establishment of 40MW photovoltaic power plant.

Mr. DENG Chengli (鄧成立) has more than 15 years of experience in financial management and he is experienced in the financing for new energy projects and engaged in establishing corporate financial system, provision of timely financial analysis and information disclosure and risk assessment. He had optimized capital structure, innovated new financing models, strengthened the internal control and reduced the risk of operations, especially in financing the establishment of photovoltaic power plant and investment projects.

Mr. XIANG Jun (向軍) is experienced in the management of companies in the new energy sector. He is in charge of holistic corporate management, development plan, operation strategies and investment resolutions. He is a veteran in venture investment and management with more than twenty years' experience and shares unique insights of financing matters.

The Company will not enter into any employment contracts with the Consultants.

At Completion, the Investor will direct the Company to issue 692,260,000 Shares out of the Subscription Shares to the Consultants directly and the number of Shares to be allotted to each of the Consultants has been specified in the Agreement. The Consultants will pay the Subscription Price for their Shares. As the Consultants will be taking up their Shares at the same time as the Investor, the allotment price was fixed as the same as the Subscription Price, which was agreed by the Investor and the Company under the Memorandum with reference to the then prevailing market price of the Shares. The Company intends to appoint the Consultants as honorary consultants upon Completion. The Company will seek the Consultants' views and advises on issues relating to the development of photovoltaic power projects that they are experienced. The Consultants will not have any rights to access the information of the Company and will not have rights to attend any meetings of the Board.

In order to demonstrate that the Investor and the Consultants are committed to the Company after Completion, each of the Investor and the Consultants has agreed with the Company that it/he will not sell, offer to sell, transfer, grant any encumbrances over, grant any option to purchase or otherwise dispose of, either directly or indirectly, conditionally or unconditionally, any of the Subscription Shares during the period commencing from the date of Completion and ending on the first anniversary of the date of Completion.

The Investor will appoint two Directors to the Board as soon as permissible under the Takeovers Code, and intends to review the composition of the Board thereafter. The candidates proposed to be appointed to the Board are Mr. Liu Jinsong and Mr. Li Haifeng, their biographical details are set out below:

Mr. LIU Jinsong (劉勁松), aged 44, is the chairman and director of Pohua JT Capital Partners Limited (保華嘉泰資本有限公司). Mr. Liu has been serving as the chairman of the board of Poly Communications Ltd. (保利通信有限公司) from March 2006 till now. Mr. Liu has also been serving as the chairman of the board of Poly Longma Asset Management Co., Ltd. (保利龍馬資產管理有限公司) since May 2010. Mr. Liu worked as an engineer at the Beijing Hope Computer Company (北京希望電腦公司) under the Chinese Academy of Science (中國科學院) from July 1992 to 1993. Mr. Liu established Orient Legend Maker Software Development Limited (東方龍馬軟件發展有限公司) and served successively as an executive director, the general manager and the chairman of the board of that company from July 1994 to December 2012. Mr. Liu was a committee member of the China Software Industry Association from March 2002 to March 2006. Mr. Liu graduated from the Department of Computer Technology (計算機技術系) of College of the Computer Science (計算機學院) of Beijing University of technology (北京工業大學) with a Bachelor's degree in Engineering in July 1992, and obtained his Master of Business Administration degree from the City University of Macau (澳門城市大學), formerly named as "Asia (Macau) International Open University (亞洲(澳門)國際公開大學)", in November 2005.

Mr. Li Haifeng (李海楓), aged 44, is a director of Pohua JT Capital Partners Limited (保華嘉泰資本有限公司). He is currently an executive director and a vice president of Beijing Enterprises Water Group Limited. Mr. Li is now the chairman of the supervisory committee of BEWG Environmental Group Co., Ltd., responsible for exploring business opportunities in water market in the PRC. He is currently the chairman and an executive director of Carry Wealth Holdings Limited (stock code: 643). During the period from April 2010 to April 2013, Mr. Li was an independent non-executive director of Simsen International Corporation Limited (stock code: 993). Both Carry Wealth Holdings Limited and Simsen International Corporation Limited are listed on the main board of the Stock Exchange. Mr. Li was an assistant to president of Founder Group (方正集團) and the executive vice president of Founder Xintiandi Software Technology Co. Ltd. (方正新天地軟件科技有限公司) Mr. Li graduated with a bachelor's degree in Laws from the Peking University.

The Company will make further announcement in compliance with Rule 13.51(2) of the Listing Rules upon their appointments. Any changes to the Board will be announced or proposed to the Shareholders for approval, if necessary.

As disclosed in the section headed "REASON FOR THE SUBSCRIPTION AND USE OF PROCEEDS" above, the Company is looking for new investments and business opportunities and has, since 22 April 2014, entered into various memoranda of understanding and agreements in relation to investments in the photovoltaic power sector. The Investor intends to continue with the Company's investments in the photovoltaic power sector.

As at the Latest Practicable Date, the Concert Group intended to continue with the existing business of the Group and had no intention to redeploy the fixed assets of the Company, or introduce any major changes to the Group's existing business or change the structure of the human resources or discontinue employment of the employees of the Group.

SHAREHOLDING STRUCTURE OF THE COMPANY

Immediately after Completion, the Concert Group will be interested in 6,528,080,000 Shares, representing approximately 78.74% of the enlarged issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Agreement and up to Completion). The following table illustrates the shareholding structure of the Company as at the Latest Practicable Date and upon Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Agreement and up to Completion).

Shareholders	**As at the Latest Practicable Date**		**Upon Completion**	
	Number of Shares	*%*	*Number of Shares*	*%*
the Investor and its concert parties (other than the Consultants)	–	–	5,835,820,000	70.39
Public shareholders				
the Consultants and their respective concert parties (other than the Investor) *(Note 1)*				
– Mr. CHANG Donglai	–	–	4,790,000	0.06
– Mr. LUO Tiegeng	–	–	3,190,000	0.04
– Mr. LU Bin	–	–	5,070,000	0.06
– Mr. DENG Chengli	–	–	3,190,000	0.04
– Mr. XIANG Jun	–	–	676,020,000	8.15
Other Shareholders *(Note 2)*	1,762,662,519	100%	1,762,662,519	21.26
	1,762,662,519	100%	8,290,742,519	100%

Notes:

1. The number of Shares to be issued to each of the Consultants is specified in the Agreement.

2. As at the Latest Practicable Date, the Company has no shareholder which was interested in 5% or more of the issued share capital or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. As at the Latest Practicable Date, none of the Directors was interested in any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

FUND RAISING EXERCISE FOR THE PAST 12 MONTHS

On 6 September 2013, the Company and Kingston Securities Limited entered into a placing agreement pursuant to which Kingston Securities Limited has placed 293,700,000 new Shares to not less than six placees at the placing price of HK$0.086 per Share, raising net proceeds of HK$24.36 million which the Company has used for investments purposes.

Save for the placing, the Company has not undertaken any other equity fund raising exercise in the 12 months immediately preceding the Latest Practicable Date.

WHITEWASH WAIVER

Immediately after Completion, the Concert Group will be interested in 6,528,080,000 Shares, representing approximately 370.35% of the existing issued share capital of the Company, and approximately 78.74% of the enlarged issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Agreement and up to Completion). Under Rule 26.1 of the Takeovers Code, the Concert Group would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it, unless the Whitewash Waiver is obtained from the Executive. The Concert Group has made an application to the Executive for the Whitewash Waiver in respect of the Subscription. The Whitewash Waiver will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll.

The Executive has agreed, among other matters, subject to the approval of the Independent Shareholders at the EGM, to grant the Whitewash Waiver. If the Whitewash Waiver is approved by the Independent Shareholders, then the obligation by the Concert Group to make a mandatory general offer under Rule 26 of the Takeovers Code will be waived.

If the Whitewash Waiver is approved by the Independent Shareholders, the shareholding of the Concert Group in the Company will exceed 50%. The Concert Group may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

None of the members of the Concert Group has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company during the six months period prior to the date of the Announcement, and was interested in any issued Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

The Company did not have any outstanding derivatives in respect of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, save for the Subscription,

(i) the Concert Group did not hold or had direction over any outstanding options, warrants, or any securities that were convertible into Shares or any derivatives in respect of securities in the Company, or held any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(ii) the Concert Group did not borrow or lend any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(iii) there was no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or of the Investor which might be material to the Subscription and the Whitewash Waiver;

(iv) there was no agreement or arrangement to which any member of the Concert Group is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and the Whitewash Waiver; and

(v) none of the members of the Concert Group had received any irrevocable commitment to vote for or against the Subscription or the Whitewash Waiver.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Man Kwok Leung and Dr. Wong Yun Kuen, has been established to consider and make recommendation to the Independent Shareholders as regards the Subscription and the Whitewash Waiver after taking into account the advice from the Independent Financial Adviser. Platinum Securities Company Limited has been approved by the Independent Board Committee and appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness in respect of the Subscription and the Whitewash Waiver.

EGM

There is set out on page EGM-1 to page EGM-2 of this circular a notice convening the EGM to be held at 37/F, Cosco Tower, 183 Queen's Road Central, Hong Kong, on 28 July 2014 at 11:00 a.m., at which ordinary resolutions will be proposed to approve (i) the Agreement and the allotment and issue of the Subscription Shares in accordance with the terms of the Agreement; and (ii) the Whitewash Waiver.

The voting in relation to the Subscription and the Whitewash Waiver at the EGM will be conducted by way of a poll whereby the Concert Group and other Shareholders who are interested or involved in the Subscription and the Whitewash Waiver will abstain from voting on the relevant ordinary resolutions to be proposed at the EGM to approve the Subscription and the Whitewash Waiver. The Concert Group does not currently hold any Shares and accordingly will not vote on any of the resolutions at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. In order to be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be delivered to the office of the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The Subscription is subject to the satisfaction of the conditions precedent to the Agreement, including the approval of the Subscription and the Whitewash Waiver by the Independent Shareholders at the EGM and the grant of the Whitewash Waiver by the Executive. As such, the Subscription may or may not proceed to Completion. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

RECOMMENDATION

The Directors (including the independent non-executive Directors after taking the advice of the Independent Financial Adviser) consider that the Subscription and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

The Independent Shareholders are strongly advised to consider the "Letter from the Independent Board Committee" set out on pages 20 to 21 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Subscription and the Whitewash Waiver, and the "Letter from the Independent Financial Adviser" set out on pages 22 to 46 this circular which contains the recommendation and opinions of the Independent Financial Adviser in respect of the Subscription and the Whitewash Waiver and the principal factors and reasons taken into consideration before deciding to vote in favour of or against the resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular and the notice of the EGM.

Yours faithfully
By the order of the Board
KONG SUN HOLDINGS LIMITED
Mr. Yu Pak Yan, Peter
Chairman

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Subscription and the Whitewash Waiver:

KONG SUN HOLDINGS LIMITED
江山控股有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 295)

11 July 2014

To the Independent Shareholders

Dear Sir or Madam,

(1) SUBSCRIPTION OF NEW SHARES AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to the circular of the Company dated 11 July 2014 (the "Circular"), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise specified.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to: (i) whether the terms of the Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the terms of the Subscription and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole; and (iii) whether the Independent Shareholders should vote in favour of the resolutions to approve the Subscription and the Whitewash Waiver at the EGM.

Platinum Securities Company Limited has been appointed the independent financial adviser to the Independent Board Committee and the Independent Shareholders to opine on: (i) whether the terms of the Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the terms of the Subscription and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole; and (iii) whether the Independent Shareholders should vote in favour of the resolutions to approve the Subscription and the Whitewash Waiver at the EGM.

We wish to draw your attention to the letter from the Independent Financial Adviser set out on pages 22 to 46 of the Circular which contain, among other things, its advice and recommendations regarding the Subscription and the Whitewash Waiver and the principal factors and reasons taken into consideration for its advice and recommendations.

We also wish to draw your attention to the letter from the Board set out on pages 4 to 19 of the Circular and the additional information set out in the appendices to the Circular.

RECOMMENDATION

Having taken into account the advice and recommendations of the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its opinion, we consider that the Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and the Subscription and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Subscription and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Kong Sun Holdings Limited

Mr. Man Kwok Leung
Independent non-executive Director

Dr. Wong Yun Kuen
Independent non-executive Director

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver for the purpose of incorporation into this circular.

PLATINUM Securities Company Limited

21/F, LHT Tower
31 Queen's Road Central
Hong Kong

Telephone (852) 2841 7000
Facsimile (852) 2522 2700
Website www.platinum-asia.com

11 July 2014

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

(1) SUBSCRIPTION OF NEW SHARES AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver (collectively, the "**Transaction**") contemplated under the Agreement. Details of the Transaction are contained in the Letter from the Board as set out in the circular of the Company dated 11 July 2014 (the "**Circular**"). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Board announced that on 28 May 2014, the Company and the Investor entered into the Agreement pursuant to which the Company has conditionally agreed to allot and issue and the Investor has conditionally agreed to subscribe or procure the subscription in cash for 6,528,080,000 new Shares at HK$0.36 per Share. The issue of the Subscription Shares is subject to approval by the Independent Shareholders. An ordinary resolution will be proposed at the EGM to seek, among other things, a specific mandate to issue the Subscription Shares pursuant to the Agreement. None of the members of the Concert Group has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company during the six months period prior to the date of the Announcement, and was interested in any issued Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

Immediately after Completion, the Concert Group will be interested in 6,528,080,000 Shares, representing approximately 370.35% of the existing issued share capital of the Company, and approximately 78.74% of the enlarged issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Agreement and up to Completion). Under Rule 26.1 of the Takeovers Code, the Concert Group would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it, unless the Whitewash Waiver is obtained from the Executive. The Concert Group has made an application to the Executive for the Whitewash Waiver in respect of the Subscription. The Whitewash Waiver will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll.

BASIS OF OUR OPINION

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Transaction were agreed on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things: (i) the Agreement; (ii) the audited annual report of the Group for the financial year ended 31 December 2012 (the "**2012 Annual Report**"); and (iii) the audited annual report of the Group for the financial year ended 31 December 2013 (the "**2013 Annual Report**").

We have assumed that all information, facts, opinions and representations contained in the Circular and all information, statements and representations provided to us by the Directors and/or the management of the Company, which we have relied on the same, are true, complete and accurate in all material respects as of the date hereof and we have relied on the same and the Independent Shareholders will be notified of any material changes as soon as practicable. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than that relating to the Concert Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular (other than those expressed by the Concert Group) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

The directors of the Investor jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than those relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

The 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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 any statement in the Circular or the Circular misleading.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors and/or management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company, which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Group. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion, and we consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We are independent from, and are not associated with the Company or any other party to the Transaction, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Transaction. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Transaction or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising all independent non-executive directors of the Company namely Mr. Man Kwok Leung and Dr. Wong Yun Kuen, has been established to advise the Independent Shareholders as to whether the terms of the Transaction were agreed on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and that the entering into the Transaction is in the interests of the Company and the Independent Shareholders as a whole.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

A. THE AGREEMENT

1. Background of the Agreement

1.1 Information on the Company

The Company is a public limited company incorporated in Hong Kong and the Shares are listed on the Main Board of the Stock Exchange. The Company is principally engaged in properties investment, manufacturing and sale of life-like plants and securities investment. Tabularised below is a summary of the financial performance of the Group as extracted from the 2013 Annual Report and the 2012 Annual Report.

Consolidated Income Statement	**For the financial year ended 31 December 2011** *(HK$'000)* (audited)	**For the financial year ended 31 December 2012** *(HK$'000)* (audited)	**For the financial year ended 31 December 2013** *(HK$'000)* (audited)
Revenue	72,844	8,560	9,229
Gross profit	4,135	1,433	1,892
Loss for the year	(43,416)	(10,901)	(7,786)

From the table above, we noted that the Group's revenue decreased by approximately 87.3% from HK$72.8 million for the financial year ended 31 December 2011 ("**FY2011**") to HK$9.2 million for the financial year ended 31 December 2013 ("**FY2013**"). According to the 2013 Annual Report and the 2012 Annual Report, such decrease was mainly caused by the diminishing sales in life-like plants. In particular, the significant decrease in revenue for the financial year ended 31 December 2012 ("**FY2012**") was mainly driven by (i) the termination of production line of Christmas trees; and (ii) the decline in sale orders for the business of artificial flowers. Due to the increase in material cost, rising labour cost in the PRC as well as tremendous competition in the market, the business of Christmas trees had declined significantly and therefore it was terminated in May 2012. For the business of artificial flowers, it was affected by the adverse business environment brought by the European sovereign debt crisis and the uncertain United States economy, leading to a decline in sale orders received. A loss of approximately HK$7.8 million was recorded for FY2013. Although the net loss for FY2013 seems to be narrowed as compared to that of FY2011, the decrease in loss was mainly attributable to the shrinking business in the manufacturing and sale of life-like plants segment, which was consistently making losses, rather than any improvements in the Company's overall business. For the three financial years ended 31 December 2013, the properties investment and securities investment segments did not significantly contribute to the total revenue of the Group, instead these two segments' income were mainly recognised as other gain or loss items rather than revenue. Profit from properties investment segment offset loss from manufacturing and sale of life-like plants segment by HK$21.4 million, HK$16.1 million and HK$3.9 million for FY2011, FY2012 and FY2013, respectively. Segment profit attributable to securities investment accounted for HK$3.0 million, HK$1.3 million and HK$3.2 million for FY2011, FY2012 and FY2013, respectively. In fact, the Group has been recording accounting losses since the financial year ended 31 December 2008 and did not pay any dividend to the Shareholders during the time.

1.2 Information on the Investor and the Consultants

The Investor is a private equity fund established in the Cayman Islands for leverage buyout and growth capital transaction focusing on investments in the environmental protection, clean energy, consumer retailing, healthcare and technological development sectors. As at the Latest Practicable Date, the Investor had assets under its management of approximately US$600 million. Investors in such investment fund are limited partners. The general partner of the Investor is Pohua JT Capital Partners Limited and it controls the investment decisions of the Investor.

The Consultants are five individuals who are experienced in the development of photovoltaic power projects. Each of the Consultants is independent of and not connected with the Company. One of the partners in the Investor knows Mr. Xiang Jun, one of the Consultants, and introduced Mr. Xiang to the Investor. Mr. Xiang is an expert in photovoltaic and wind power generation. With one of the investment focuses of the Investor being the new energy sector, representatives of the Investor reached out to Mr. Xiang for his view regarding the power generation industry in the PRC. After the signing of the Memorandum, the Investor introduced Mr. Xiang to the Company and Mr. Xiang introduced the other four Consultants, who are his current and former colleagues, to the Company.

The Consultants are concert parties of the Investor. None of the Consultants is a director or close relative of any of the directors of the Investor or any parent company of the Investor; none of the Consultants has funds managed by the Investor on a discretionary basis; none of the Investor or persons controlling or controlled by or under the same control as the Investor acts as financial or other professional adviser to any of the Consultants; none of the Consultants is a partner with the Investor; and the Investor has not provided any finance or financial assistance directly or indirectly to any of the Consultants in connection with the acquisition of the Subscription Shares by the Consultants.

At Completion, the Investor will direct the Company to issue 692,260,000 Shares out of the Subscription Shares to the Consultants directly and the number of Shares to be allotted to each of the Consultants has been specified in the Agreement. The Consultants will pay the Subscription Price for their Shares. As the Consultants will be taking up their Shares at the same time as the Investor, the allotment price was fixed as the same as the Subscription Price, which was agreed by the Investor and the Company under the Memorandum with reference to the then prevailing market price of the Shares. The Company intends to appoint the Consultants as honorary consultants upon Completion.

In order to demonstrate that the Investor and the Consultants are committed to the Company after Completion, each of the Investor and the Consultants has agreed with the Company that it/he will not sell, offer to sell, transfer, grant any encumbrances over, grant any option to purchase or otherwise dispose of, either directly or indirectly, conditionally or unconditionally, any of the Subscription Shares during the period commencing from the date of Completion and ending on the first anniversary of the date of Completion.

The Investor will appoint two Directors to the Board as soon as permissible under the Takeovers Code, and intends to review the composition of the Board thereafter.

1.3 Future intentions of the Investor regarding the Group

We have enquired the management of the Company and noted that the Company is looking for new investments and business opportunities and has, since 22 April 2014, entered into various memoranda of understanding and agreements in relation to investments in the photovoltaic power sector. The Investor intends to continue with the Company's investments in the photovoltaic power sector.

As stated in the Circular, the Investor will appoint two Directors to the Board as soon as permissible under the Takeovers Code, and intends to review the composition of the Board thereafter.

As at the Latest Practicable Date, the Concert Group intended to continue with the existing business of the Group and had no intention to redeploy the fixed assets of the Company, or introduce any major changes to the Group's existing business or change the structure of the human resources or discontinue employment of the employees of the Group.

Since the Investor intends to assist the Company and continue with Company's investments in the photovoltaic power sector, which is consistent with the Company's business strategy and the Concert Group had no intention to redeploy the fixed assets of the Company or bring major changes to the human resources or discontinue employment of the employees of the Group, we consider the future intention of the Investor regarding the Group is in the interests of the Company and the Shareholders as a whole.

1.4 Other fund raising methods available to the Company

With regard to other funding raising methods available to the Company, we have enquired the Directors and were advised that they have considered other means of fund raising such as rights issue. However, given the recent trading prices of the Shares and the funding needs of the Group, it would be difficult to identify any underwriter to fully underwrite the rights issue as required under the Listing Rules. We also noted that the Directors have also considered debt financing but it would be difficult for any financial institutions to extend such amount of credit facility to the Company at affordable terms due to the increasing borrowing cost among financial institutions. In view of the recent financial and operational performance of the Company (i.e. the Group has been loss-making since the financial year ended 31 December 2008), we concur with the Directors that it is difficult for the Company to acquire debt financing at affordable terms.

Given the above reasons, the Company is of the view that equity financing is the most imminent priority of the Company and a placement under a specific mandate is the most viable option for the Company. The Subscription by the Investor provides a good opportunity for the Company to raise long-term equity fund to finance its investment in photovoltaic power projects. In addition, as elaborated in the sections below headed "2.4 The Investor's focus on investments in clean energy with abundant resources" and "2.5 The Consultants' experience and connections in the photovoltaic power sector", we consider that the Investor will bring in additional resources, experience and investment opportunities to the Company and we concur with the Directors that such resources and experience of the Investor are beneficial to the Company and the Shareholders as a whole.

2. Reasons for the entering into of the Agreement

2.1 Use of proceeds

As stated in the Circular, the net proceeds from the Subscription, after deduction of all related expenses, of approximately HK$2,338,100,000 are intended to be applied (i) as to approximately HK$2,293 million to finance the acquisition and development of photovoltaic power projects of the Group and (ii) as to approximately HK$45 million as general working capital of the Group. Subject to Completion, it is intended that the proceeds from the Subscription will be used to purchase equipment and other assets for the photovoltaic power projects commencing from September 2014.

Since photovoltaic power projects are extremely capital extensive and an enormous amount of funds would be required for the initial investment on such projects. We have reviewed the relevant historical data of capital expenditure figures of photovoltaic power companies and note that photovoltaic power projects require a large amount of capital investment, especially during the initial years. In general, the capital expenditure of photovoltaic power companies mainly includes (i) acquisition of photovoltaic power plants, machinery and factory premises; (ii) construction of factory premises and photovoltaic power production bases; and (iii) acquisition of land use rights. As such, we consider the use of proceeds to finance acquisition and development of photovoltaic power projects and support general working capital of the Group is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Even though the Company's net asset as at 31 December 2013 was only HK$289.4 million, considered the amount of capital expenditure required for the photovoltaic power projects, it is necessary for the Company to raise sufficient funds and the net proceeds from the Subscription of HK$2,338.1 million is justifiable. As mentioned in the below section headed "2.3 The Company's entering into photovoltaic power sector", the Company has already entered into various memoranda of understanding and agreements to acquire photovoltaic power projects. We have reviewed the capital commitment plan of these projects and they are expected to be materialised in September 2014, and we noted that, based on the capital commitment plan and the signed memoranda of understanding and agreements relating to the development of photovoltaic power projects, the Company would require funding of approximately RMB4,535 million (equivalent to approximately HK$5,668 million) to complete these projects. The capital commitment plan lists out estimated amounts and payment schedules of the investment of each proposed photovoltaic power projects under various memoranda of understandings. For the photovoltaic power projects in Inner Mongolia and Shaanxi Province (the "**Committed Projects**"), the capital expenditure includes land reclamation, acquisition of plant and machinery and installation work of the plant, the amount of which is estimated to total HK$3,481 million (HK$2,293 million to be payable from July to September 2014). We have discussed with the management of the Company and reviewed the respective project plans of the memoranda of understandings and are of the view that the capital commitment plan has been prepared by the management of the Company according to their estimation on the cost of land reclamation, acquisition of plant and machinery and installation work of the plant, which, in our opinion, is fair and reasonable given the size of respective photovoltaic power projects. We have also reviewed the 2014 financial budget of the Company, which is consistent with the capital commitment plan. In addition, we consider the funding important for the Company to maintain flexibility in project planning and bidding. With sufficient funds on hand and strengthened capital base, it will help the Company win new photovoltaic power projects and contracts as the Company would be more competitive in terms of financial resources.

After review of the announcements of the Company dated 30 April 2014 and 7 July 2014 in which the Company announced to enter into agreements of the Committed Projects, we understand that the respective memoranda of understanding have come into effect. As mentioned above, the Company is expected to incur capital expenditure of approximately HK$2,293 million for the Committed Projects from July to September 2014. Considering the Company's net asset position as at 31 December 2013 being only HK$289.4 million, we are of the view that it is justifiable and necessary for the Company to raise fund immediately to financially support its photovoltaic power projects. As advised by the management of the Company, we understand that if the Committed Projects are not completed, the proceeds from the Subscription will be used to finance the Gansu Project, the Hebei Project and the Anhui and Yunnan Project, details of which are discussed in the section below headed "2.3 The Company's entering into photovoltaic power sector". Given the shareholders will also contemplate the intention of such alternative use of proceeds as disclosed in the Circular, no separate shareholders' approval will be required. As such, we consider the reason for the Company to raise fund immediately to be fair and reasonable.

We enquired the management of the Company and understand that salary and office rental expenditures are expected to increase due to the Company's expansion of photovoltaic power business and the Company will recruit more personnel and rent additional office spaces in Hong Kong and PRC accordingly. Therefore, the additional requirement in working capital is estimated to be approximately HK$9 million per year and the allocation of proceeds of approximately HK$45 million as general working capital of the Group would satisfy the additional requirement in working capital for approximately 5 years. As such, we consider the allocation of approximately HK$45 million of the net proceeds as general working capital of the Group to be fair and reasonable.

Given (i) the Company is still actively looking for opportunities to invest in photovoltaic power projects; (ii) the enormous amount of funds required for the capital expenditure of these projects; (iii) the necessity of maintaining funding flexibility; and (iv) additional working capital required due to the Company's expansion of photovoltaic power business, we consider the amount of net proceeds from the Subscription and the use of proceeds to be fair and reasonable.

2.2 Photovoltaic power industry is developing rapidly in China

The photovoltaic power industry in China has been growing rapidly since 2009. In 2011, the China National Development and Reform Commission issued a Feed-In-Tariff incentive policy for photovoltaic grid-tied application to speed up the ever-growing domestic photovoltaic power market. According the European Photovoltaic Industry Association, the total annual installation of photovoltaic power in China for 2013 is estimated to approach 11.3 giga-watts ("**GW**"), a 70 times increase as compared to the level in 2009, and China has become one of the top 3 photovoltaic power markets in the world.

According to the China national 12th Five-Year-Plan, the total installed photovoltaic power capacity would reach the level of 21GW by 2015, and further to beyond 50GW by 2020, and the China National Energy Administration announced in January 2014 that such target capacity by 2015 has been revised and increased to 35GW. A primary goal of the Chinese Government is environmental protection, and using renewable is considered one of the most effective methods in doing so. As such, the Chinese Government targets to raise the share of renewable energy in total primary energy consumption from 9.9% in 2009 to 15% by 2020. With wind power and hydropower approaching their growth limits, and the slowing down of the development of nuclear power due to the failure of Fukushima No.1 Nuclear Power Plant, photovoltaic power would be expected to be the primary renewable energy in China going forward. Given the rapid development in photovoltaic power industry and the growing trend in using renewable energy in China, we are of the view that the Company would benefit from the policies of the PRC Government in developing its photovoltaic power projects.

2.3 The Company's entering into photovoltaic power sector

Since the Company is looking for new investments and business opportunities, on 29 March 2014, the Company and the Investor entered into the Memorandum to establish a funding source for such purposes. According to the management of the Company, the Company has been actively looking for photovoltaic power projects. We noted that, the Company entered into a memorandum of understanding on 22 April 2014 in connection with the acquisition of the development rights to a 30 mega-watts photovoltaic power station in Gansu Province. The estimated investment cost for the development of the 30 mega-watts photovoltaic power station is approximately RMB255 million (approximately HK$318.75 million) (the "**Gansu Project**"). On 29 April 2014, the Company entered into a cooperation agreement and an intermediary agreement on the proposed acquisition of a 50 mega-watts photovoltaic power station in Lincheng County, Hebei Province. The estimated investment cost for the development of the 50 mega-watts photovoltaic power station is approximately RMB425 million (approximately HK$531.25 million) (the "**Hebei Project**"). On 30 April 2014, the Company acquired the entire equity interests in a project company engaging in the development of a 10 mega-watts photovoltaic power station in Inner Mongolia. The estimated investment cost for the development of the 10 mega-watts photovoltaic power station is approximately RMB85 million (approximately HK$106.25 million). On 30 April 2014, the Company entered into a memorandum of understanding for the joint development of photovoltaic power stations in Anhui and Yunnan provinces with an aggregate capacity of 261 mega-watts. The current plan is that the Company will take a 50% interest in the joint development. The estimated investment cost for the development of the 261 mega-watts photovoltaic power stations is approximately RMB2,140 million (approximately HK$2,675 million), of which the cost attributable to the Company is estimated to be approximately RMB1,070 million (approximately HK$1,337.5 million) (the "**Anhui and Yunnan Project**"). On 7 July 2014, the Group acquired the entire equity interest in 榆林市比亞迪新能源有限公司 (Yulin City BYD New Energy Co., Ltd.), a project company engaged in the development of a 300 mega-watts photovoltaic power station in Shaanxi Province, the PRC, for RMB204 million (approximately HK$255 million). The total estimate cost for the development of the 300 mega-watts photovoltaic power station (including the acquisition consideration of RMB204 million) is approximately RMB2,700 million (approximately HK$3,375 million).

We understand that the Company is actively looking for opportunities to invest in photovoltaic power project, and we have also been advised by the management of the Company that photovoltaic power generation is environmentally friendly and is a sector encouraged by the central government of the PRC. To this end, the Company seeks to raise funds by way of the Subscription to finance the acquisitions and development of the photovoltaic power projects of the Group. Based on the signed memoranda of understandings and agreements relating to the development of photovoltaic power projects, the Company would require funding of approximately RMB4,535 million (equivalent to approximately HK$5,668 million) to complete these projects.

As discussed above, other suitable fund raising methods do not seem to be available to the Company. In consideration of the substantial amount of funds required for the potential acquisition and development of photovoltaic power projects, the entering into of the Agreement with the Investor would not only facilitate the Company to raise financing capital for investment in photovoltaic power projects, the Company could also leverage on the Investor's focus on investments in clean energy and the Consultants' experience and connections in the photovoltaic power sector, which are further elaborated in the sections below.

2.4 The Investor's focus on investments in clean energy with abundant resources

We have discussed with the management of the Company, and understand that the Investor is a private equity fund which focuses on investments in clean energy. We consider that the Investor's focus on investments in clean energy is aligned with the Company's current business strategy of seeking new investments and business opportunities in photovoltaic power projects.

Besides, as at the Latest Practicable Date, the Investor had assets under its management of approximately US$600 million, which, in our opinion, represents a sufficient amount for it to subscribe the Subscription Shares and provide additional financial support to the Company if necessary.

We also noted that one of the partners in the Investor knows Mr. Xiang Jun, one of the Consultants, and introduced Mr. Xiang to the Investor. The partners and the Investor may build strong business relationship and connections in the photovoltaic power sector through Mr. Xiang, just as the case that Mr. Xiang introduced the other four Consultants who have experience and connections in the photovoltaic power sector.

Given the Investor's focus on investments in clean energy with sufficient financial resources and its business relationship and connections in the photovoltaic power sector, we consider that through the Subscription, the Investor will benefit the Company by acquiring and developing photovoltaic power projects and the Subscription is in the interests of the Company and the Shareholders as a whole.

2.5 The Consultants' experience and connections in the photovoltaic power sector

According to the Circular, the Company intends to appoint the Consultants as honorary consultants upon Completion, and the Investor believes that the Company would benefit from the Consultants' experience and connections in the photovoltaic power sector for its investment in the sector and has raised with the Consultants and the Company the proposal for the Consultants to invest in the Company. The five Consultants are Mr. CHANG Donglai (常東來), Mr. LUO Tiegeng (羅鐵庚), Mr. LU Bin (鹿斌), Mr. DENG Chengli (鄧成立) and Mr. XIANG Jun (向軍).

In addition to our discussions and enquiries with the management of the Company about the Consultants' experience, we have also looked into the experience and background of the five Consultants. We understand that, in particular, (i) Mr. CHANG Donglai and Mr. LUO Tiegeng possess extensive experience and technical knowledge of photovoltaic power system and projects; (ii) Mr. LU Bin has successful project management experience, especially in Xinjiang Uyghur Autonomous Region of China; (iii) Mr. DENG Chengli is knowledgeable in terms of financing new energy projects and has been holding senior financial department positions of new energy companies; and (iv) Mr. XIANG Jun has been managing well-known new energy companies in PRC for many years.

Taking into account the above, we consider the appointment of the Consultants as honorary consultants upon Completion could bring in photovoltaic power technical knowledge and connection in the photovoltaic power sector to the Company as a complement to the fund injection from the Investor, which is in the interests of the Company and the Shareholders as a whole.

In view of the reasons as elaborated in the sections 2.1 to 2.5 above, as well as having taken into consideration of (i) the loss making position of the Group since the financial year ended 31 December 2008; (ii) the weaknesses of other fund raising methods available to the Company in comparison with the Transaction which would enable the Company to raise a significant amount of capital at a low cost; and (iii) reasons for and benefits of the entering into of the Agreements, we consider that the entering into of the Agreement is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Agreement

3.1 The Agreement

Date : 28 May 2014

Parties : (a) the Company; and

(b) the Investor.

The Investor is independent of the Company and its connected persons.

As stated in the Circular, none of the members of the Concert Group has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company during the six months period prior to the date of the Announcement, and was interested in any issued Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

3.2 The Subscription Shares

The Subscription Shares represent approximately 370.35% of the issued share capital of the Company as at the Latest Practicable Date of 1,762,662,519 Shares, and approximately 78.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Agreement and up to Completion).

The Subscription Shares, when issued and fully-paid, will rank pari passu in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Subscription Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of the Subscription Shares.

The Subscription Shares have a total value of HK$2,350,108,800 and a market value of approximately HK$5,810,000,000 based on the closing price of the Shares of HK$0.89 on 28 May 2014. The net price of the Subscription Shares is approximately HK$0.358 per Share.

3.3 The Subscription Price

On 29 March 2014, the Investor and the Company entered into the Memorandum. The key terms of the Memorandum were set out in the announcement of the Company dated 30 March 2014. The Subscription Price was determined after arm's length negotiations with reference to the prevailing market prices of the Shares as at the date of the signing of the Memorandum.

The Subscription Price represents:

(a) a discount of approximately 1.37% to the closing price of the Shares of HK$0.365 per Share as quoted on the Stock Exchange on 28 March 2014, the last trading day prior to the date of the Memorandum;

(b) a discount of approximately 59.55% to the closing price of the Shares of HK$0.89 per Share as quoted on the Stock Exchange on 28 May 2014, the date of the Agreement and the last trading date immediately preceding the Rule 3.5 announcement under the Takeovers Code;

(c) a discount of approximately 59.18% to the average closing prices of the Shares of HK$0.882 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 28 May 2014;

(d) a discount of approximately 58.86% to the average closing prices of the Shares of HK$0.875 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 28 May 2014;

(e) a discount of approximately 72.73% to the closing price of HK$1.32 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(f) a premium of approximately 125.00% over the audited net asset value per Share of approximately HK$0.16 per Share as at 31 December 2013, being the date of the latest annual results, without taking into account the Subscription.

The Subscription Price was agreed by the parties under the Memorandum. Although the Subscription Price represents a discount to the recent trading price of the Shares, we consider the recent trading price of the Shares is more speculative in nature and reflected a positive response from market to the potential Subscription, as analysed in the section below headed "3.4 Review on historical price of the Shares". Moreover, the Subscription Price represents a premium over the audited net asset value ("**NAV**") per Share as at 31 December 2013. As such, we are of the view that the Subscription Price is fair and reasonable and on normal commercial terms and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

3.4 Review on historical price of the Shares

The following table sets out the highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each month during the period commencing from (i) 1 April 2013 (being one year before the announcement of the Memorandum) to 30 March 2014 (being the date of the announcement of the Memorandum) because we consider the price of the Shares before the date of the announcement of the Memorandum more representative for the market evaluation of the Company without considering the prospect of the Company's entering into the photovoltaic sector, and there was no announcement made before 1 April 2013 by the Company that it would significantly change its business scope so the price of the Shares were relatively stable before 1 April 2013; and (ii) from 31 March 2014 up to the Latest Practicable Date:

Month	**Highest closing price** *(HK$)*	**Lowest closing price** *(HK$)*	**Average daily closing price** *(HK$)*	**No. of trading days in each month**
2013				
April	0.125	0.104	0.117	20
May	0.111	0.095	0.103	21
June	0.115	0.090	0.099	19
July	0.110	0.087	0.096	22
August	0.130	0.100	0.112	21
September	0.154	0.102	0.128	20
October	0.207	0.140	0.175	21
November	0.200	0.160	0.182	21
December	0.192	0.170	0.179	20
2014				
Before 30 March 2014 *(Note (1))*				
January	0.191	0.166	0.177	21
February	0.285	0.166	0.227	19
March (3 March to 28 March)	0.440	0.241	0.302	20
After 30 March 2014 *(Note (1))*				
March (31 March)	0.480	0.480	0.480	1
April	0.800	0.445	0.637	20
May	0.910	0.670	0.804	18
June	1.210	0.760	1.054	14
July (1 July to the Latest Practicable Date)	1.420	1.320	1.375	6

Source: *the Stock Exchange web-site (www.hkex.com.hk)*

Notes:

(1) On 30 March 2014, an announcement of the Memorandum in respect of a possible subscription of new Shares was made.

As indicated in the table above, the daily closing price of the Shares ranged from HK$0.087 to HK$0.440 during the period between 1 April 2013 and 30 March 2014. Therefore, the Subscription Price of HK$0.36 per Share was an approximately 18.2% discount and an approximately 313.8% premium to the maximum and minimum closing price of the Shares during this period, respectively. During this period, the daily closing price of the Shares was generally volatile and the average daily closing price was approximately HK$0.157. By comparing the maximum closing price of the Shares of HK$0.440 and the minimum closing price of the Shares of HK$0.087 during such period, it represents a variance of 80.2% and the fluctuation might be due to the speculation of the prospects of the Company.

On 30 March 2014 (after trading hours), the Company announced the Memorandum in respect of a possible subscription of new Shares. We noted that the closing price of the Shares increased sharply on the following four trading days, from HK$0.365 on 28 March 2014, being the last trading day prior to the announcement of the Memorandum, to HK$0.590 on 3 April 2014, and further to HK$0.800 on 17 April 2014. Subsequent to the announcement of the Memorandum, the price of the Shares continued surging and remained at a high level during the period from 28 March 2014 to 28 May 2014, being the last trading date prior to the Announcement. As at 28 May 2014, the closing price of the Shares reached HK$0.890, which represents an increase by approximately 143.8% as compared to its closing price of HK$0.365 on 28 March 2014. During the same period, the Hang Seng Index increased slightly from 22,065.53 points to 23,080.03 points. Currently, the closing price of the Shares has further increased to HK$1.320 as at the Latest Practicable Date. Such price surge after the release of the announcement of the Memorandum represents, in our opinion, a positive response from the market to the potential subscription of new Shares and reflects the market perception on the potential benefits of the Subscription, since there is no other material change to the operation of the Company except for the announcement of the Memorandum and four announcements dated 22 April 2014, 29 April 2014 and 30 April 2014 in respect of the proposed acquisition of photovoltaic power projects.

Given that the Subscription Price of HK$0.36 represents (i) a premium over the NAV per Share as at 31 December 2013; (ii) a premium over the closing price of the Shares throughout April 2013 to February 2014; and (iii) a premium over the average daily closing price of the Shares in March 2014, and the relatively substantial fluctuation of the prices of the Shares from 31 March 2014 to the Latest Practicable Date, we are of the view that the historical price fluctuations of the Shares from 31 March 2014 to the Latest Practicable Date are more speculative in nature rather than reflecting changes in the Company's value. As compared to the aforesaid uncertainty on the causes of the performance of the Shares, we noted that the Group has been loss-making since FY2011 and its NAV per Share had shrunk from HK$0.23 as at 31 December 2011 to HK$0.16 as at 31 December 2013.

3.5 Industry comparables

a. Selection criteria and basis of assessment for Properties Investment and Securities Investment Comparable Companies

Since every company has its unique characteristics and business strategies, it is improbable to find a comparable company that has the exactly same business as the Company. The Company is currently engaged in properties investment, manufacturing and sale of life-like plants and securities investment. Due to the fact that (i) the manufacturing and sale of life-like plants segment of the Company was loss-making for all of the three financial years from FY2011 to FY2013 and given it is not profit generating, management of the Company has been developing new strategy to explore new business and therefore manufacturing and sales of life-like plants segment's importance has been decreased; (ii) manufacturing and sales of life-like plants segment is no longer significant to the Group as its segment revenue decreased substantially from HK$69.2 million in FY2011 to HK$8.0 million in FY2013 and its segment assets only accounted for 24.1% to the Group's total segment assets as at 31 December 2013; and (iii) properties investment and securities investment businesses of the Group are the only two profit-making segments and their segment assets in total accounted for the majority (approximately 75.9%) of the Group's total segment assets as at 31 December 2013, we consider it is more appropriate to compare the Company with other properties investment and securities investment companies since the properties investment and securities investment segments are more material to the Group. As such, we have selected several properties investment and securities investment companies comparable companies (the "**Properties Investment and Securities Investment Comparable Companies**") based on the criteria of (i) derive more than 50% of total revenue from properties investment and securities investment; (ii) have their principal businesses based in the PRC or Hong Kong; (iii) market capitalisation in the range of HK$1 billion to HK$3 billion, being HK$1 billion below and above the Company's market capitalisation of approximately HK$2 billion as at the Latest Practicable Date, which we consider the appropriate range in comparison with the Company's market capitalisation as at the Latest Practicable Date; and (iv) listed on the Main Board of the Stock Exchange for at least one year.

The Properties Investment and Securities Investment Comparable Companies have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information.

In our assessment, we have considered the price-to-earnings ratio ("**P/E**") and the price-to-book ratio ("**P/B**"), which are commonly used to assess the financial valuation of a company engaged in properties investment and securities investment business. Nevertheless, given the Company recorded a net loss for FY2013, we considered the P/E of the Company is not representative, and hence, should not be evaluated against the P/E of the Properties Investment and Securities Investment Comparable Companies. In addition, we consider the price-to-sales ratio ("**P/S**") not representative for the Company because (i) P/S is not commonly used to value a company engaged in properties investment and securities investment business given its low revenue generating nature; and (ii) the manufacturing and sale of life-like plants segment of the Company has been loss-making for all of the three years from FY2011 to FY2013, thus the P/S of manufacturing and sale of life-like plants segment is not representative for the P/S of the Company. As such, having considered the loss making nature as well as P/B is commonly used to assess the financial valuation of a properties investment and securities investment company in the industry, we consider P/B to be the most representative in analysing the comparable companies.

b. Selection criteria and basis of assessment for Photovoltaic Power Comparable Companies

The purpose of the Agreement and the injection of funds to the Company by the Investor is to facilitate the Company to look for new investments and business opportunities, especially in the photovoltaic power sector. As such, we consider the recent increase of the Share price might be influenced by its prospect of becoming a photovoltaic power company as indicated by the fact that the price of the Shares has been consistently trading below HK$0.440 per Share from 1 April 2013 up to 30 March 2014 and increased sharply by 261.6% after the announcement of the Memorandum from HK$0.365 per Share on 28 March to HK$1.32 per Share as at the Latest Practicable Date, which was mentioned in the section headed "3.4 Review on historical price of the Shares". In order to justify that the recent high price of the Shares (being the period from 31 March 2014 up to the Latest Practicable Date) is purely speculative, in which the public expects that the Company will enter into the photovoltaic power sector, we have therefore selected several photovoltaic power comparable companies (the "**Photovoltaic Power Comparable Companies**") based on the criteria of (i) derive more than 50% of total revenue from solar energy business; (ii) have their principal businesses based in the PRC; (iii) market capitalisation of over HK$2 billion since photovoltaic power companies listed on the Main Board of the Stock Exchange are generally larger in business scale due to the fact that photovoltaic power projects are extremely capital extensive and an enormous amount of funds would be required for the initial investment on such projects, and the size of the Group is expected to grow beyond its market capitalisation of approximately HK$2 billion as at the Latest Practicable Date upon completion of the Subscription and expansion into photovoltaic power sector, and as such we consideration market capitalisation of over HK$2 billion to be a reasonable criteria; and (iv) listed on the Main Board of the Stock Exchange for at least one year.

The Photovoltaic Power Comparable Companies have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information.

Similar to our basis of assessment for Properties Investment and Securities Investment Comparable Companies, we have considered P/B and P/E, which are commonly used to assess the financial valuation of a photovoltaic power company.

As explained above, P/E is not representative for the Company given its record of a net loss for FY2013. In our consideration of using P/S in our analysis for Photovoltaic Power Comparable Companies, we consider that P/S is not representative either given their high asset-based and low revenue generating nature.

The P/B analysis on the Properties Investment and Securities Investment Comparable Companies and Photovoltaic Power Comparable Companies is shown in Table 1 and 2 below, respectively:

Table 1 – Properties Investment and Securities Investment Comparable Companies Analysis on P/B

Company name	**Ticker**	**P/B (x)** *(Note 1)*
Nanyang Holdings Limited	212HK	0.37
Multifield International Holdings Limited	898HK	0.25
Pokfulam Development Company Limited	225HK	0.31
Lippo Limited	226HK	0.25
	Maximum	0.37
	Minimum	0.25
	Average	0.30
The Company		8.04
Subscription Price *(Note 2)*		2.25

Table 2 – Photovoltaic Power Comparable Companies Analysis on P/B

Company name	**Ticker**	**P/B (x)** *(Note 1)*
Hanergy Solar Group Limited	566HK	2.25
United Photovoltaics Group Ltd.	686HK	7.97
China Singyes Solar Technologies Holdings Ltd.	750HK	2.55
	Maximum	7.97
	Minimum	2.25
	Average	4.26
The Company		8.04
Subscription Price *(Note 2)*		2.25

Source: Bloomberg, latest annual or interim results of respective companies

Note:

(1) The P/Bs of the comparable companies and the Company are calculated by dividing their respective share prices as at the Latest Practicable Date by their NAV per share according to their respective latest annual or interim results available.

(2) The implied P/B of the Subscription Price is calculated by dividing the Subscription Price of HK$0.36 by the Company's NAV per Share of HK$0.16 according to the 2013 Annual Report.

As shown in Table 1 above, the P/Bs of Properties Investment and Securities Investment Comparable Companies ranged from 0.25x to 0.37x (the "**P/B Range I**") with an average of 0.30x (the "**Average P/B I**"). In comparison, the P/Bs of Photovoltaic Power Comparable Companies ranged from 2.25x to 7.97x (the "**P/B Range II**") with an average of 4.26x (the "**Average P/B II**"), as indicated in Table 2.

The P/B of the Company is 8.04x, which is above the P/B Range I and significantly higher than the Average P/B I. When looking at the Photovoltaic Power Comparable Companies, these companies generally have a higher P/B. While the P/B of the Company falls closer to the P/B Range II, it could be justified that the recent high price of the Shares (being the period from 31 March 2014 up to the Latest Practicable Date) is purely speculative, in which the public expects that the Company will enter into the photovoltaic power sector as the Company mentioned in the announcement of the Memorandum that the Company intended to apply the proceeds from the Proposed Subscription to fund its diversification plan, new investments and business opportunities, and subsequently the Company indicated its intention to enter into the photovoltaic power sector in the four announcements dated 22 April 2014, 29 April 2014 and 30 April 2014. This could be further supported by the fact that even the proposed acquisitions of photovoltaic power projects were yet to be materialised, the price of the Shares increased sharply after the announcement of the Memorandum, which, in our opinion, is a speculation of the prospect that the Company would materialise those photovoltaic power projects and enter into the photovoltaic power sector. As the current market price of the Shares does not reflect the underlying existing business of the Company, we consider the current market price of the Shares may not serve as an appropriate reference for our analysis of the Subscription Price. Therefore, we consider the Subscription Price is determined based on the Company's nature as a properties investment and securities investment company, and we have focused our P/B analysis on the Properties Investment and Securities Investment Comparable Companies in order to assess the fairness and reasonableness of the Subscription Price.

Without the prospects of the Company entering into the photovoltaic power industry, the Company is strictly a properties investment and securities investment company. Therefore, we consider the current high P/B of the Company is due to a positive response from the market to the potential Subscription and reflects the market perception on the potential benefits of the Subscription, which we consider the price surge is purely a speculation of the prospect that the Company would materialise the photovoltaic power projects that have been announced in the memoranda of understanding and enter into the photovoltaic power sector and public investors believe such investments would turnaround the performance of the Company. As such, we have calculated the implied prices of the Shares by using the P/B Range I as indicated above, assuming such P/B range to be a reliable indicator for properties investment and securities investment companies. According to the 2013 Annual Report, the Group's NAV per Share is HK$0.16 per Share. Therefore, the implied price of the Shares would range from HK$0.04 to HK$0.06 per Share based on the P/B Range I. The Subscription Price of HK$0.36 is significantly higher than the implied price range of the Shares and the Subscription Price represents a P/B of 2.25x, which is above the P/B Range I.

In view of the P/B of the Subscription Price is above the P/B Range I, by assuming the Company as purely a properties investment and securities investment company, we consider the Subscription Price of HK$0.36 to be fair and reasonable. In light of the above, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

4. Dilution effect on the shareholding interests of the existing public Shareholders

The following table illustrates the shareholding structure of the Company as at the Latest Practicable Date and upon Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of Agreement and up to Completion):

	Existing shareholding		**Immediately after Completion**	
	Number of Shares	*%*	*Number of Shares*	*%*
The Investor and its concert parties (other than the Consultants)	–	–	5,835,820,000	70.39
Public Shareholders				
The Consultants and their respective concert parties (other than the Investor) *(Note 1)*				
– CHANG Donglai	–	–	4,790,000	0.06
– LUO Tiegeng	–	–	3,190,000	0.04
– LU Bin	–	–	5,070,000	0.06
– DENG Chengli	–	–	3,190,000	0.04
– XIANG Jun	–	–	676,020,000	8.15
Other Shareholders *(Note 2)*	1,762,662,519	100	1,762,662,519	21.26
Total	1,762,662,519	100	8,290,742,519	100

Notes:

(1) The number of Shares to be issued to each of the Consultants is specified in the Agreement.

(2) As at the Latest Practicable Date, the Company has no shareholder which was interested in 5% or more of the issued share capital or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. As at the Latest Practicable Date, none of the Directors was interested in any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

We noted that the shareholding interest of the existing public Shareholders is subject to dilution of the aforementioned extents as a result of the Subscription. However, with considerations of (i) the loss making position of the Group since the financial year ended 31 December 2008; (ii) the Transaction would enable the Company to raise a significant amount of capital at a relatively low cost (in the context of the absence of the underwriting commission charge under rights issue/open offer); (iii) the price of the Shares increased right after the Announcement under the relatively stagnant general stock market condition, which may indicate a positive response from the market to the announcement of Memorandum and Agreement; and (iv) the terms of the Subscription being fair and reasonable so far as the Independent Shareholders are concerned, we consider the possible dilution effect on the shareholding interests of the existing public Shareholders to be justifiable.

5. Financial effects of the Transaction

5.1 Effect on NAV

As disclosed in the 2013 Annual Report, the NAV attributable to Shareholders as at 31 December 2013 was approximately HK$289.45 million. Upon Completion, the Subscription would enlarge the asset base with the additional cash of HK$2.34 billion while there would not be any movement in total liabilities. As such, we consider that the Subscription will have a positive impact on the NAV.

As for the NAV per Share, prior to the Transaction, there are currently approximately 1,762.66 million Shares outstanding, which would give a NAV of HK$0.164 per Share. As the Subscription would increase the total cash level by HK$2.34 billion after deduction of all related expenses, while the total Shares outstanding would also increase to approximately 8,290.74 million Shares as a result of the Subscription Shares to be issued, arithmetically, the NAV will be increased by approximately HK$0.153 per Share, and thus we consider that the Subscription will have a positive impact on the NAV per Share.

5.2 Effect on earnings

As disclosed in the 2013 Annual Report, loss for FY2013 was HK$7.79 million. Except for the expenses relating to the Subscription, it is expected that the completion of the Subscription will not have any immediate material impact on the earnings of the Company, and given the large amount of cash flowing into the Group, additional interest income should be resulted before utilising the fund raised from the Subscription for future investments or business development. In addition, in view of that the Transaction may strengthen the Company's strategic capability for executing its business strategy, the Directors are optimistic on the overall future earnings of the Group upon Completion. As such, we consider that the Subscription will have a positive impact on earnings of the Group.

5.3 Effect on gearing

The gearing level of the Group (calculated by dividing total liabilities by total assets) was approximately 9.7% as at 31 December 2013. Upon Completion, the Subscription would enlarge the asset base with the additional cash of approximately HK$2.34 billion while there would not be any movement in total liabilities. As such, we consider that the Subscription would reduce the Group's gearing level.

5.4 Effect on cash/working capital

As disclosed in the 2013 Annual Report, the Group had current assets of HK$126.85 million (including bank balances and cash of HK$111.98 million) and current liabilities of HK$22.74 million. The Directors confirmed that the net proceeds from the Subscription would increase the Group's cash and cash equivalents before the Company utilises them for its future investments or business opportunities. As such, we are of the view that the Subscription will have a positive impact on the cash position and the working capital of the Group.

B. THE WHITEWASH WAIVER

Immediately after Completion, the Concert Group will be interested in 6,528,080,000 Shares, representing approximately 370.35% of the existing issued share capital of the Company and approximately 78.74% of the enlarged issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Agreement and up to Completion). Under Rule 26.1 of the Takeovers Code, the Concert Group would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it, unless the Whitewash Waiver is obtained from the Executive. The Concert Group has made an application to the Executive for the Whitewash Waiver in respect of the Subscription. The Whitewash Waiver will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll.

If the Whitewash Waiver is approved by the Independent Shareholders, the shareholding of the Concert Group in the Company will exceed 50%. The Concert Group may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

None of the members of the Concert Group has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company during the six months period prior to the Latest Practicable Date, and was interested in any issued Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

The Company did not have any outstanding derivatives in respect of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, save for the Subscription, (i) the Concert Group did not hold or had direction over any outstanding options, warrants, or any securities that were convertible into Shares or any derivatives in respect of securities in the Company, or held any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; (ii) the Concert Group did not borrow or lend any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; (iii) there was no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or of the Investor which might be material to the Subscription and the Whitewash Waiver; (iv) there was no agreement or arrangement to which any member of the Concert Group is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and the Whitewash Waiver; and (v) none of the members of the Concert Group had received any irrevocable commitment to vote for or against the Subscription or the Whitewash Waiver.

Given the possible benefits of the Agreement and the transactions contemplated thereunder to the Company mentioned in section A and the terms of the Agreement being fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for Completion, is in the interests of the Company and the Independent Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Agreement and the transactions contemplated thereunder.

Independent Shareholders should note that upon completion of the Subscription, the Investor and the Consultants and parties acting in concert with any of them will hold more than 50% of the enlarged issued share capital of the Company. In the event that the Investor and the Consultants and their respective concert parties' shareholding interests in the Company exceed 50% upon completion of the Subscription, and the Whitewash Waiver is granted, the Investor and the Consultants and parties acting in concert with any of them may increase their shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

RECOMMENDATION

Having taken into account the above principal factors and reasons, in particular,

(i) the loss making position of the Group since the financial year ended 31 December 2008;

(ii) lack of alternative fund raising method available to the Company;

(iii) promising prospects and rapid developments of the photovoltaic power industry in China;

(iv) the Investor's focus on investments in clean energy;

(v) the Consultants' experience would facilitate the Company in developing and managing the photovoltaic power business;

(vi) historical price fluctuations of the Shares from 31 March 2014 to the Latest Practicable Date are more speculative in nature;

(vii) the P/B of the Subscription Price is above the P/B range of the Properties Investment and Securities Investment Comparable Companies and falls closer to the P/B range of the Photovoltaic Power Comparable Companies;

(viii) the Transaction will have a positive financial effect on the Group and is in the interests of the Company and the Independent Shareholders as a whole; and

(ix) the Whitewash Waiver is a prerequisite for Completion,

we are of the view that the Transaction, the terms of the Agreement for the Transaction and the Whitewash Waiver are entered into on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Transaction to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited
Lenny Li
Director and Co-Head of Corporate Finance

1. FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for each of the three financial years ended 31 December 2011, 2012 and 2013; and (ii) the audited assets and liabilities of the Group as at 31 December 2011, 2012 and 2013 as extracted from the annual reports of the Company for the year ended 31 December 2011, 2012 and 2013.

	For the year ended 31 December		
	2011	**2012**	**2013**
	(audited)	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*
Turnover	72,844	8,560	9,229
Sales of life-like plants	69,171	6,840	7,983
Properties rental income	2,258	1,720	1,246
Dividend income from equity investments	38	–	–
	71,467	8,560	9,229
Cost of sales	(67,332)	(7,127)	(7,337)
Gross profit	4,135	1,433	1,892
Other revenue	7,177	3,585	3,578
Loss on fair value changes of held-for-trading investments	(1,252)	(187)	(60)
Loss on disposal of held-for-trading investments	(873)	–	–
Impairment loss on available-for-sale financial assets	(11,358)	(1,500)	(4,352)
Impairment loss recognised in respect of goodwill	–	(8,582)	–
Impairment loss recognised in respect of property, plant and equipment	–	(4,036)	–
Gain on disposal of available-for-sale financial assets	–	13,248	2,400
Gain on fair value changes of investment properties	19,720	14,734	3,100
Distribution and selling expenses	(2,852)	(458)	(107)
Administrative expenses	(22,827)	(20,001)	(14,173)
Other operating expenses	–	(10,143)	–
Loss on fair value changes of convertible bonds	(32,706)	–	–
Loss on derecognition of contingent consideration	(856)	–	–
Finance costs	(1,900)	(346)	(320)

	For the year ended 31 December		
	2011	**2012**	**2013**
	(audited)	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*
Loss before tax	(43,592)	(12,253)	(8,042)
Income tax credit	176	1,352	256
Loss for the year attributable to owners of the Company	(43,416)	(10,901)	(7,786)
Loss per share			
Basic and diluted	HK(6.04) cents	HK(1.23) cents	HK(0.51) cents

No exceptional items need to be accounted for in the audited financial results of the Group for each of the three financial years ended 31 December 2011, 2012 and 2013.

ASSETS AND LIABILITIES

	As at 31 December		
	2011	**2012**	**2013**
	(audited)	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*
Total assets	252,200	289,020	320,647
Total liabilities	(34,518)	(29,927)	(31,198)
Net asset value	217,682	259,093	289,449

All the members of the Group are wholly owned and thus there is no minority interest to be accounted for as at 31 December 2011, 2012 and 2013.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013

The following is the full text of the audited consolidated financial information of the Group for the year ended 31 December 2013 as extracted from the annual report of the Company for the year ended 31 December 2013:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	7	9,229	8,560
Sales of life-like plants	7	7,983	6,840
Properties rental income	7	1,246	1,720
		9,229	8,560
Cost of sales		(7,337)	(7,127)
Gross profit		1,892	1,433
Other revenue	9	3,578	3,585
Loss on fair value changes of held-for-trading investments	28	(60)	(187)
Impairment loss on available-for-sale financial assets	22	(4,352)	(1,500)
Impairment loss recognised in respect of goodwill	23	–	(8,582)
Impairment loss recognised in respect of property, plant and equipment	20	–	(4,036)
Gain on disposal of available-for-sale financial assets	22	2,400	13,248
Gain on fair value changes of investment properties	19	3,100	14,734
Distribution and selling expenses		(107)	(458)
Administrative expenses		(14,173)	(20,001)
Other operating expenses		–	(10,143)
Finance costs	10	(320)	(346)
Loss before tax		(8,042)	(12,253)
Income tax credit	11	256	1,352
Loss for the year attributable to owners of the Company	12	(7,786)	(10,901)
Loss per share			
Basic and diluted	16	HK(0.51) cents	HK(1.23) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Loss for the year	12	(7,786)	(10,901)
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		(31)	22
Gain (loss) on fair value changes of available-for-sale financial assets	22	9,344	(313)
Reclassification to consolidated statement of profit or loss: Impairment loss on available-for-sale financial assets	22	4,352	1,500
Other comprehensive income for the year, net of income tax		13,665	1,209
Total comprehensive income (expense) for the year attributable to owners of the Company		5,879	(9,692)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Investment properties	19	95,900	92,800
Property, plant and equipment	20	42,786	45,697
Prepaid lease payments	21	13,003	13,475
Available-for-sale financial assets	22	42,105	22,332
Goodwill	23	–	–
Deposit paid for acquisition of property, plant and equipment		–	114
		193,794	174,418
Current assets			
Inventories	24	1,023	1,450
Loan receivable	25	10,000	–
Trade receivables	26	722	694
Other receivables, prepayments and deposits	27	1,585	4,048
Prepaid lease payments	21	473	473
Held-for-trading investments	28	1,073	1,133
Pledged bank deposits	29	136	1,161
Bank balances and cash	30	111,841	105,643
		126,853	114,602
Current liabilities			
Trade payables, other payables and accrued charges	31	12,983	13,344
Borrowings	32	9,457	8,829
Obligations under finance leases	33	301	9
		22,741	22,182
Net current assets		104,112	92,420
Total assets less current liabilities		297,906	266,838

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Obligations under finance leases	*33*	991	23
Deferred tax liabilities	*34*	7,466	7,722
		8,457	7,745
Net assets		289,449	259,093
Capital and reserves			
Share capital	*35*	17,627	14,690
Reserves		271,822	244,403
Total equity		289,449	259,093

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current asset			
Investments in subsidiaries	17	1,247	1,247
Current assets			
Other receivables, prepayments and deposits	27	235	211
Amounts due from subsidiaries	18	237,280	215,640
Bank balances and cash	30	103	–
		237,618	215,851
Current liabilities			
Other payables and accrued charges	31	6,053	6,790
Financial guarantee contract	43	–	259
		6,053	7,049
Net current assets		231,565	208,802
Net assets		232,812	210,049
Capital and reserves			
Share capital	35	17,627	14,690
Reserves	36	215,185	195,359
Total equity		232,812	210,049

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company								
	Share capital (Note 35) HK$'000	Share premium (Note 36) HK$'000	Capital redemption reserve (Note 36) HK$'000	Exchange reserve HK$'000	Available for-sale investment revaluation reserve HK$'000	Share options reserve (Note 37) HK$'000	Warrants reserve (Note 38) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	143,793	126,958	20	47	–	3,000	1,771	(57,907)	217,682
Loss for the year	–	–	–	–	–	–	–	(10,901)	(10,901)
Exchange differences arising on translation of foreign operations	–	–	–	22	–	–	–	–	22
Loss on fair value changes of available-for-sale financial assets	–	–	–	–	(313)	–	–	–	(313)
Reclassification to consolidated statement of profit or loss: Impairment loss on available-for-sale financial assets	–	–	–	–	1,500	–	–	–	1,500
Total comprehensive income (expense) for the year	–	–	–	22	1,187	–	–	(10,901)	(9,692)
Capital reduction *(Note 35(b))*	(136,603)	136,603	–	–	–	–	–	–	–
Placing of new shares *(Note 35(d))*	7,500	45,000	–	–	–	–	–	–	52,500
Issuing expenses in relation to share placing	–	(1,397)	–	–	–	–	–	–	(1,397)
Warrants lapsed during the year *(Note 38)*	–	–	–	–	–	–	(1,771)	1,771	–
At 31 December 2012	14,690	307,164	20	69	1,187	3,000	–	(67,037)	259,093
At 31 December 2012 and 1 January 2013	14,690	307,164	20	69	1,187	3,000	–	(67,037)	259,093
Loss for the year	–	–	–	–	–	–	–	(7,786)	(7,786)
Exchange differences arising on translation of foreign operations	–	–	–	(31)	–	–	–	–	(31)
Gain on fair value changes of available-for-sale financial assets	–	–	–	–	9,344	–	–	–	9,344
Reclassification to consolidated statement of profit or loss: Impairment loss on available-for-sale financial assets	–	–	–	–	4,352	–	–	–	4,352
Total comprehensive income (expense) for the year	–	–	–	(31)	13,696	–	–	(7,786)	5,879
Placing of new shares *(Note 35(e))*	2,937	22,321	–	–	–	–	–	–	25,258
Issuing expenses in relation to share placing	–	(781)	–	–	–	–	–	–	(781)
Share option lapsed during the year *(Note 37)*	–	–	–	–	–	(3,000)	–	3,000	–
At 31 December 2013	17,627	328,704	20	38	14,883	–	–	(71,823)	289,449

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 *HK$'000*	2012 *HK$'000*
OPERATING ACTIVITIES		
Loss before tax	(8,042)	(12,253)
Adjustments for:		
Amortisation of prepaid lease payments	473	473
Depreciation of property, plant and equipment	4,296	5,098
Finance costs	320	346
Gain on fair value changes of investment properties	(3,100)	(14,734)
Gain on disposal of available-for-sale financial assets	(2,400)	(13,248)
Gain on disposal of property, plant and equipment	(131)	(1,772)
Loss on written off of inventories	–	6,672
Loss on fair value changes of held-for-trading investments	60	187
Impairment loss on available-for-sale financial assets	4,352	1,500
Loss on written off of property, plant and equipment	–	3,471
Interest income	(1,720)	(1,324)
Loan interest income	(148)	–
Impairment loss recognised in respect of goodwill	–	8,582
Impairment loss recognised in respect of property, plant and equipment	–	4,036
Operating cash flows before movements in working capital	(6,040)	(12,966)
Decrease in inventories	427	2,875
Increase in loan receivable	(10,000)	–
(Increase) decrease in trade receivables	(28)	9,821
Decrease in other receivables, prepayments and deposits	2,611	2,142
Decrease in trade payables, other payables and accrued charges	(361)	(5,639)
Cash used in operating activities	(13,391)	(3,767)
Income tax paid	–	(10)
NET CASH USED IN OPERATING ACTIVITIES	(13,391)	(3,777)

	2013 *HK$'000*	2012 *HK$'000*
INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale financial assets	2,400	18,960
Interest received	1,720	1,324
Proceeds from disposal of plant and equipment	1,360	1,129
Withdrawal of pledged bank deposits	1,025	–
Purchase of available-for-sale financial assets	(10,429)	(21,771)
Purchase of property, plant and equipment	(2,497)	(2,890)
Additions of investment properties	–	(816)
Increase in deposit paid for acquisition of property, plant and equipment	–	(114)
NET CASH USED IN INVESTING ACTIVITIES	(6,421)	(4,178)
FINANCING ACTIVITIES		
Proceeds from placing of shares	25,258	52,500
Increase (repayments) of obligations under finance leases	1,260	(898)
Repayments of bank borrowings	(909)	(5,692)
Payment for share issue costs	(781)	(1,397)
Interest paid	(320)	(346)
New bank borrowings	–	9,000
New other loan raised	1,537	–
NET CASH FROM FINANCING ACTIVITIES	26,045	53,167
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,233	45,212
CASH AND CASH EQUIVALENTS AT 1 JANUARY	105,643	60,413
Effect of foreign exchange rate changes	(35)	18
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	111,841	105,643

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company referred to as the "Group") are set out in Note 17.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group and the Company have applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle issued in 2012
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK (International Financial Reporting Interpretation Committee)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's and the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009–2011 addressed a number of amendments to various HKFRSs.

The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The Group and the Company have applied the amendments to HKFRS 7 for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation and recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. As the Group and the Company does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group and the Company have applied for the first time HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011) together with the amendments to HKFRS 10 and HKFRS 12 regarding the transitional guidance. HKAS 27 (revised 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee if and only if it has (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusions.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the financial statements. Details are set out in Note 17.

HKFRS 13 Fair Value Measurement

The Group and the Company have applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements for both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements.

HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

HKFRS 13 has been applied prospectively as of the beginning of the annual period and resulted in additional disclosure as set out in Note 6 to the financial statements. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans — Employee Contribution[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (International Financial Reporting Interpretation Committee)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

The directors of the Company anticipate that the application of new and revised HKFRSs will have no material impact on the results and the financial position of the Group and the Company.

HKFRS 9 — Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's and the Company's financial assets and financial liabilities.

Regarding the Group's and the Company's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

The amendments to HKFRS 10 introduce an exception to consolidate subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an 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 to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014 with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is categorised in its entirety. The Group and the Company are required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;

- each key assumption on which management has based its determination of fair value less costs of disposal;

- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied, and require retrospectively application.

The directors of the Company anticipate that the application of the amendments to HKAS 36 may result in additional disclosures being made with regard to the impairment assessment on non-financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances (please specify), appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Company obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Business combinations

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with HKAS 12 *Income Taxes*;

- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits;*

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied.

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange difference arising are recognised in other comprehensive income.

Borrowing costs

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

Employee benefits

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of the employment meets the circumstances specified in the Hong Kong Employment Ordinance. A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable payments which have been earned by the employees from their service to the Group to the end of the reporting period.

Retirement benefit costs

Payments to defined contribution plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the general principles above.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment less their residual values 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 accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Prepaid lease payments

Prepaid lease payments represent lease prepayments paid or payable for the right to use the land on which various plants and buildings are situated for a definite period, are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of prepaid lease payments is calculated on a straight-line basis over the expected period of the rights.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Cash and cash equivalents

Bank balances and cash in the consolidated and the Company's statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment losses.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated and the Company's statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The Company's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held-for-trading.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "loss on fair value changes of held-for-trading investments" line item in the consolidated statement of profit or loss. Fair value is determined in the manner described in Note 6.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivable, trade receivables, other receivables and deposits, amounts due from subsidiaries, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale investment reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividend on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as loan receivables, trade receivables, other receivables and amounts due from subsidiaries, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivables, trade receivables, other receivables and amounts due from subsidiaries, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When loan receivables, trade receivables, other receivables and amounts due from subsidiaries are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in available-for-sale investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's and the Company's financial liabilities are classified into other financial liabilities.

Other financial liabilities

Other financial liabilities including trade payables, other payables and accrued charges, borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liability classified as at FVTPL, of which the interest expenses is included in net gains or losses.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Offsetting financial instruments

Financial assets and liabilities of the Group and the Company are offset and the net amount reported in the consolidated and Company's statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

For warrants issued to subscribers of the Company's shares, the fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to the retained earnings/accumulated losses.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and the Company and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group and the Company measure the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company continue to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liabilities is derecognised when, and only when, the Group's and the Company's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Impairment losses on tangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of the reporting period, the Group and the Company review the carrying amounts of their tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Fair value measurement

When measuring fair value except for the Group's and the Company's share-based payment transactions, for the purpose of impairment assessment, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group and the Company determine whether transfer occur between levels of the fair value hierarchy for assets and liabilities.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's and the Company's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets and liabilities, revenue and expenses reported and disclosures made in the financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's and the Company's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the financial statements.

Litigation

The Group is involved in the lawsuits and claims for both years ended 31 December 2013 and 2012. The directors of the Company believe that the Group has substantial legal and factual bases to defend for their position and are of the opinion that the estimated losses arising from these lawsuits, if any, will not have a material adverse impact on the results of the operations or the financial position of the Group. Accordingly, no provision for such liabilities has been made in the financial statements. Details of litigation are disclosed in Note 39.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Key sources of estimation uncertainty

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

Impairment of trade receivables and loan receivable

The policy for making impairment losses on trade receivables and loan receivable of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, past collection history of each debtor as well as the collateral received by the Group. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 December 2013, the carrying amounts of trade receivables and loan receivable were HK$722,000 (2012: HK$694,000) and HK$10,000,000 (2012: nil), respectively. No impairment was recognised on trade receivables and loan receivable during the year ended 31 December 2013 (2012: nil). Details of loan receivable and trade receivables are disclosed in Notes 25 and 26 respectively.

Fair value of financial guarantee contract

The Company provided financial guarantee to a bank in respect of banking facilities granted to a subsidiary. The determination of the fair value of financial guarantees requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact the fair value of the financial guarantee and the results for the period in which such estimates change. Details of financial guarantee contract are disclosed in Note 43. As at 31 December 2013, the carrying amount of the financial guarantee contract in the Company's statement of financial position as at 31 December 2013 was nil (2012: HK$259,000).

Fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. The carrying amount of investment properties measured at fair value at 31 December 2013 was approximately HK$95,900,000 (2012: HK$92,800,000).

Estimated useful life of property, plant and equipment

The Group's property, plant and equipment are depreciated over the shorter of the unexpired term of leases and their estimated useful lives, and after taking into account of their estimated residual values, using the straight-line method, at the rates ranging from 2% to 20% per annum. The estimated useful life reflects the directors of the Company estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Impairment of property, plant and equipment and prepaid lease payments

The impairment loss for property, plant and equipment and prepaid lease payments are recognised for the amounts by which the carrying amount exceeds its recoverable amount, in accordance with the Group's accounting policy.

The Group evaluates whether property, plant and equipment and prepaid lease payments have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is determined based on value-in- use calculations prepared on the basis of management's assumptions and estimates such as the future revenue and discount rates, taking into account the existing business plan going forward, the current sales orders on hand and other strategic new business development or fair market valuation, as appropriate. The Group's carrying values of property, plant and equipment and prepaid lease payments as at 31 December 2013 was approximately HK$42,786,000 (2012: HK$45,697,000) and HK$13,476,000 (2012: HK$13,948,000) respectively. No impairment loss was recognised on property, plant and equipment during the year ended 31 December 2013 (2012: HK$4,036,000). No impairment loss was recognised on prepaid lease payment during the years ended 31 December 2013 and 2012.

Impairment loss for inventories

The management of the Group reviews an ageing analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. The carrying amount of inventories as at 31 December 2013 was approximately HK$1,023,000 (2012: HK$1,450,000). No impairment loss was recognised during the years ended 31 December 2013 and 2012. Details of inventories are disclosed in Note 24.

5. CAPITAL RISK MANAGEMENT

The Group and the Company manage their capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remains unchanged from prior year.

The capital structure of the Group and the Company consists of net debt, which includes borrowings, obligations under finance leases, net of pledged bank deposits, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, share premium and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and risks associates with each class of capital. Based on recommendations of the directors, the Group and the Company will balance their overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Available-for-sale financial assets	42,105	22,332	–	–
Fair value through profit or loss Held-for-trading investments	1,073	1,133	–	–
Loan and receivables (including cash and cash equivalents)	122,850	109,698	237,383	215,641
Financial liabilities				
At amortised cost	17,509	16,167	6,053	6,790
Financial guarantee contract	–	–	–	259

(b) Financial risk management objectives and policies

The financial risks associated with the financial instruments of the Group and the Company include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(I) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 69% (2012: 70%) of the Group's sales and 26% (2012: 56%) of its costs are denominated in currencies other than the functional currency of the Group entity making the sale and purchase.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States Dollars ("USD")	1,850	2,185	–	–
Renminbi ("RMB")	47,965	45,608	2,020	1,881

There was no foreign currency denominated monetary assets and monetary liabilities at the reporting date in the Company.

Sensitivity analysis

The Group is mainly exposed to the USD and RMB.

USD is not the functional currency of the Group entity and as HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rates. In the opinion of directors of the Company, the foreign currency sensitivity does not give additional value in view of insignificant movement in the USD/HK$ exchange rates.

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in HK$ against RMB. 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% (2012: 5%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss for the year where HK$ strengthen 5% (2012: 5%) against RMB. For a 5% (2012: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the loss for the year and the balances below would be negative.

	RMB impact	
	2013	**2012**
	HK$'000	*HK$'000*
Post-tax profit or loss	1,918	1,826

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

(II) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to borrowings and obligations under finance leases of nil (2012: HK$259,000) and HK$1,292,000 (2012: HK$32,000) respectively, at fixed rates and such fixed rate assets and liabilities were disclosed in the respective notes.

The Group and the Company are also exposed to cash flow interest rate risk in relation to variable-rate assets and liabilities. It is the Group's and the Company's policy to keep its assets and liabilities at floating rate of interests so as to minimise the fair value interest rate risk.

The Group and the Company currently do not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The Group's and the Company's exposure to variable interest rates on financial assets and financial liabilities are detailed below.

Financial instruments with variable interest rate in nature

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Pledged bank deposits	136	1,161	–	–
Bank balances and cash	111,841	105,643	–	–
	111,977	106,804	–	–
Financial liabilities				
Borrowings	7,920	8,570	–	–

Sensitivity analysis

The sensitivity analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. As at 31 December 2013, if the interest rate of pledged bank deposits, bank balance and cash and borrowings had been 100 (2012: 100) basis point higher/lower, the Group's post-tax loss for the year would decrease/increase by approximately HK$869,000 (2012: decrease/increase in loss for the year of approximately HK$820,000).

(III) Other price risks

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's other price risk is mainly concentrated on equity instruments listed in Hong Kong.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

Sensitivity analysis

If the prices of the respective equity instruments had been 10% (2012: 10%) higher/lower:

- loss for the year ended 31 December 2013 would decrease/increase by approximately HK$107,000 (2012: decrease/increase by approximately HK$113,000) for the Group as a result of the changes in fair value of held-for-trading investments; and

- other comprehensive income (2012: income) would increase/decrease by approximatelyHK$4,211,000 (2012: increase/decrease by approximately HK$2,233,000) for the Group as a result of the changes in fair value of available-for-sale financial assets.

Credit risk

As at 31 December 2013, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group or the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company's statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company reviews the recoverable amount of each individual receivable balance at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the United States of America ("USA"), which accounted for approximately 58% (2012: 67%) of the total trade receivables as at 31 December 2013.

The Group has concentration of credit risk as approximately nil (2012: 67%) and approximately 49% (2012: 97%) of total trade receivables was due from the Group's largest customer and the five largest customers respectively within the manufacturing and sale of life-like plants segment as at 31 December 2013.

The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note 43.

The Group's loan receivable is due from a single client, the quality of loan receivable of the Group included in Note 25.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuation in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank loans with a repayment demand clause are included in the earliest time band regardless of the probability of the bank choosing to exercise their rights. The maturity dates of other financial liabilities are based on the agreed repayment terms.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

The Group

	On demand/within one year *HK$'000*	One to two years *HK$'000*	More than two years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 December 2013					
Trade payables, other payables and accrued charges	6,760	–	–	6,760	6,760
Obligations under finance leases	301	314	677	1,292	1,292
Bank borrowings					
– variable rate *(Note)*	8,142	–	–	8,142	7,920
Other borrowing	1,537	–	–	1,537	1,537
	16,740	314	677	17,731	17,509
At 31 December 2012					
Trade payables, other payables and accrued charges	7,306	–	–	7,306	7,306
Obligations under finance leases	9	9	14	32	32
Bank borrowings					
– fixed rate *(Note)*	264	–	–	264	259
– variable rate *(Note)*	8,810	–	–	8,810	8,570
	16,389	9	14	16,412	16,167

Note:

Bank borrowings with a repayment on demand clause are included in the "on demand/within one year" time band in the above maturity analysis. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be fully repaid in eight (2012: nine) years after the end of reporting period in accordance with the scheduled repayment dates set out in the loans agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$8,622,000 (2012: HK$9,446,000).

The Company

	On demand/ within one year *HK$'000*	One to two years *HK$'000*	More than two years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 December 2013					
Other payables and accrued charges	6,053	–	–	6,053	6,053
Financial guarantee contract *(Note 43)*	8,142	–	–	8,142	–
	14,195	–	–	14,195	6,053
At 31 December 2012					
Other payables and accrued charges	6,790	–	–	6,790	6,790
Financial guarantee contract *(Note 43)*	8,810	–	–	8,810	259
	15,600	–	–	15,600	7,049

Note:

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the land and buildings pledged to the counterparty which are guaranteed suffer market value losses.

The amount included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those interest rates determined at the end of the reporting period.

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded inactive liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

- the fair value of obligations under finance leases and bank borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group and the Company for similar financial instruments;

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated and the Company's financial statements approximate their fair values due to their immediate or short-term maturities.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

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

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

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

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013				
The Group				
Financial assets at FVTPL				
Listed equity securities	1,073	–	–	1,073
Available-for-sale financial assets				
Listed equity securities	42,105	–	–	42,105
At 31 December 2012				
The Group				
Financial assets at FVTPL				
Listed equity securities	1,133	–	–	1,133
Available-for-sale financial assets				
Listed equity securities	22,332	–	–	22,332

There were no transfers between levels of fair value hierarchy in the current and prior years.

The valuation techniques and input used in Level 1 fair value measurements of financial instruments as set out below:

	Financial assets	Fair value of	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
(1)	Held-for-trading investments	Listed equity security in Hong Kong: – HK$1,073,000 (31 December 2012: HK$1,133,000)	Level 1	Quoted bid prices in an active market	N/A
(2)	Available-for-sale financial assets	Listed equity security in Hong Kong: – HK$42,105,000 (31 December 2012: HK$22,332,000)	Level 1	Quoted bid prices in an active market	N/A

7. TURNOVER

An analysis of the Group's turnover for the year is as follows:

	2013	2012
	HK$'000	*HK$'000*
Sales of life-like plants	7,983	6,840
Properties rental income	1,246	1,720
	9,229	8,560

The direct operating expenses from investment properties that generated rental income amounted to approximately HK$197,000 (2012: HK$213,000) for the year ended 31 December 2013.

8. SEGMENT INFORMATION

The Group's operating segment, based on information reported to the chief operating decision maker, the board of directors, for the purpose of resources allocation and performance assessment are as follows:

(a) The manufacturing and sales of life-like plants segment engaged in manufacturing and sales of life-like plants in Hong Kong and the Peoples' Republic of China (the "PRC").

(b) The properties investment engaged in the investment in properties in Hong Kong.

(c) The securities investment engaged in the trading of listed securities and investing activities in Hong Kong.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2013

	Manufacturing and sales of life-like plants *HK$'000*	Properties investment *HK$'000*	Securities investment *HK$'000*	Total *HK$'000*
Turnover	7,983	1,246	–	9,229
Segment revenue	7,983	1,246	–	9,229
Segment (loss) profit	(8,790)	3,896	3,155	(1,739)
Unallocated corporate operating income				197
Unallocated corporate operating expenses				(4,228)
Impairment loss on available-for-sale financial assets				(4,352)
Gain on disposal of available-for-sale financial assets				2,400
Finance costs				(320)
Loss before tax				(8,042)

For the year ended 31 December 2012

	Manufacturing and sales of life-like plants *HK$'000*	Properties investment *HK$'000*	Securities investment *HK$'000*	Total *HK$'000*
Turnover	6,840	1,720	–	8,560
Segment revenue	6,840	1,720	–	8,560
Segment (loss) profit	(35,772)	16,082	1,300	(18,390)
Unallocated corporate operating income				99
Unallocated corporate operating expenses				(5,364)
Impairment loss on available-for-sale financial assets				(1,500)
Gain on disposal of available-for-sale financial assets				13,248
Finance costs				(346)
Loss before tax				(12,253)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both years.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of certain indirect administration costs, bank interest income, directors' emoluments, finance costs, gain on disposal of available-for-sale financial assets and impairment loss on available-for-sale financial assets. This is the measure reported to the chief operating decision marker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2013 *HK$'000*	2012 *HK$'000*
Segment assets		
Manufacturing and sales of life-like plants	64,167	64,724
Properties investment	99,083	92,976
Securities investment	103,406	96,414
Total segment assets	266,656	254,114
Unallocated corporate assets	53,991	34,906
Consolidated total assets	320,647	289,020

	2013	2012
	HK$'000	*HK$'000*
Segment liabilities		
Manufacturing and sales of life-like plants	1,224	6,389
Properties investment	343	165
Securities investment	–	–
Total segment liabilities	1,567	6,554
Unallocated corporate liabilities	29,631	23,373
Consolidated total liabilities	31,198	29,927

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than available-for-sale financial assets, certain other receivables, prepayments and deposits, loan receivable and certain bank balances and cash as these assets are managed on a group basis.

- all liabilities are allocated to reportable segments other than certain other payables and accrued charges, deferred tax liabilities, borrowings and obligations under finance leases as these liabilities are managed on a group basis.

Other segment information

2013

	Manufacturing and sales of life-like plants *HK$'000*	Properties investment *HK$'000*	Securities investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	2,611	–	–	–	2,611
Amortisation of prepaid lease payments	473	–	–	–	473
Depreciation of property, plant and equipment	4,261	35	–	–	4,296
Gain on fair value changes of investment properties	–	(3,100)	–	–	(3,100)
Loss on fair value changes of held-for-trading investments	–	–	60	–	60
Gain on disposal of available-for-sales financial assets	–	–	–	(2,400)	(2,400)
Gain on disposal of property, plant and equipment	(131)	–	–	–	(131)
Impairment loss on available-for-sale financial assets	–	–	–	4,352	4,352
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Interest income	–	–	(1,670)	(50)	(1,720)
Loan interest income	–	–	–	(148)	(148)
Finance costs	–	–	–	320	320
Income tax credit	(295)	39	–	–	(256)

2012

	Manufacturing and sale of life-like plants *HK$'000*	Properties investment *HK$'000*	Securities investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	9,990	816	–	–	10,806
Amortisation of prepaid lease payments	473	–	–	–	473
Depreciation of property, plant and equipment	5,051	47	–	–	5,098
Gain on fair value changes of investment properties	–	(14,734)	–	–	(14,734)
Loss on fair value changes of held-for-trading investments	–	–	187	–	187
Gain on disposal of available-for-sales financial assets	–	–	–	(13,248)	(13,248)
Gain on disposal of property, plant and equipment	(1,772)	–	–	–	(1,772)
Loss on written off of property, plant and equipment	3,471	–	–	–	3,471
Loss on written off of inventories	6,672	–	–	–	6,672
Impairment loss on available-for-sale financial assets	–	–	–	1,500	1,500
Impairment loss recognised in respect of goodwill	8,582	–	–	–	8,582
Impairment loss recognised in respect of property, plant and equipment	4,036	–	–	–	4,036
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Interest income	–	–	(1,322)	(2)	(1,324)
Finance costs	–	–	–	346	346
Income tax (credit) expense	(1,401)	42	–	7	(1,352)

Note: Non-current assets excluded those relating to financial instruments.

Geographical information

The Group's operations are located in Hong Kong (place of domicile) and the PRC.

The Group's revenue from external customers and information about its non-current assets by geographical locations of the assets are detailed below:

	Revenue from external customers		Non-current assets (Note)	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong (place of domicile)	3,664	3,774	112,625	111,607
PRC	–	–	39,064	40,479
USA	2,834	2,625	–	–
Others	2,731	2,161	–	–
	9,229	8,560	151,689	152,086

Note: Non-current assets excluded those relating to financial instruments.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Customer A	2,212	2,625
Customer B	1,599	1,077
Customer C	1,385	N/A*

* The previous revenue did not contribute over 10% of the total sales of the Group.

All the above revenue was derived from the sale of life-like plants.

9. OTHER REVENUE

	2013	**2012**
	HK$'000	*HK$'000*
Net foreign exchange gain	1,081	136
Gain on disposal of property, plant and equipment	131	1,772
Interest income	1,720	1,324
Loan interest income	148	–
Sundry income	498	353
	3,578	3,585

10. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on:		
Bank and other borrowings wholly repayable within five years	256	271
Finance leases	35	75
Bank overdrafts	29	–
	320	346

11. INCOME TAX CREDIT

	2013	2012
	HK$'000	*HK$'000*
Under-provision in prior years:		
PRC Enterprise Income Tax	–	10
Deferred tax *(Note 34):*		
Current year	(256)	(1,362)
	(256)	(1,352)

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the years ended 31 December 2013 and 2012.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

The tax charge for the years can be reconciled to the loss per the consolidated statement of profit or loss as follow:

	2013	2012
	HK$'000	*HK$'000*
Loss before tax	(8,042)	(12,253)
Tax at the domestic income tax rate at 16.5% (2012: 16.5%)	(1,327)	(2,022)
Tax effect of expenses not deductible for tax purpose	1,293	5,654
Tax effect of income not taxable for tax purpose	(1,664)	(5,091)
Tax effect of tax loss not recognised	1,974	1,408
Tax effect of deductible temporary differences not recognised	153	145
Utilisation of tax losses previously not recognised	–	(10)
Utilisation of deductible temporary differences previously not recognised	(256)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(429)	(1,446)
Under-provision in prior years	–	10
Income tax credit for the year	(256)	(1,352)

Details of the deferred tax liabilities are set out in Note 34.

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2013	2012
	HK$'000	*HK$'000*
Auditor's remuneration	700	700
Staff costs:		
Directors' remuneration *(Note 13)*	1,995	2,160
Wages, salaries and other benefits (excluding directors)	6,136	6,148
Retirement benefit costs (excluding directors)	465	386
Total staff costs	8,596	8,694
Cost of inventories recognised as an expense	7,337	7,127
Loss on written off of property, plant and equipment *(Note)*	–	3,471
Loss on written off of inventories *(Note)*	–	6,672
Amortisation of prepaid lease payments	473	473
Depreciation of property, plant and equipment	4,296	5,098
Operating lease rental on rented premises	634	856

Note:

Included in other operating expenses in the consolidated statement of profit or loss for year ended 31 December 2012, were loss on written off of property, plant and equipment and inventories of approximately HK$3,471,000 and HK$6,672,000, respectively. The board of directors resolved to terminate the manufacturing and sales of christmas trees business included in the manufacturing and sales of life-like plants segment during the year ended 31 December 2012 as a result of the keen competition and decline in the demand for christmas trees products of the Group. Relevant inventories and property, plant and equipment were obsolete and written off. In the opinion of the directors of the Company, the carrying amount of such assets cannot be recovered through use or disposal. There is no further written off in respect of the property, plant and equipment and inventories as at 31 December 2013.

13. DIRECTORS' EMOLUMENTS

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is stated as follows:

For the year ended 31 December 2013

	Directors' fees	Salaries, allowances and benefits in kind	Retirement benefit costs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Chan Chi Yuen (resigned on 30 September 2013)	1,350	–	5	1,355
Chang Hoi Nam (appointed on 30 September 2013)	90	–	4	94
Yu Pak Yan, Peter	240	–	6	246
Independent non-executive directors:				
Lau Man Tak	100	–	–	100
Man Kwok Leung	100	–	–	100
Wong Yun Kuen	100	–	–	100
	1,980	–	15	1,995

For the year ended 31 December 2012

	Directors' fees	Salaries, allowances and benefits in kind	Retirement benefit costs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Chan Chi Yuen	1,800	–	–	1,800
Yu Pak Yan, Peter	90	–	–	90
Independent non-executive directors:				
Lau Man Tak	90	–	–	90
Man Kwok Leung	90	–	–	90
Wong Yun Kuen	90	–	–	90
	2,160	–	–	2,160

No emoluments were paid by the Group to any directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office for both years ended 31 December 2013 and 2012.

None of the director waived or agreed to waive any emoluments for both years ended 31 December 2013 and 2012.

There was no chief executive in the Group during the years ended 31 December 2013 and 2012.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2012: one) were directors of the Company whose emoluments are included in Note 13 above. The emoluments of the remaining three (2012: four) individuals were as follows:

	2013	2012
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	1,048	1,122
Retirement benefit costs	40	46
	1,088	1,168

The emoluments were all within the following band:

	Number of individuals	
	2013	2012
Nil–HK$1,000,000	3	4

For both years ended 31 December 2013 and 2012, no emoluments was paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office.

15. DIVIDEND

No dividend was paid or proposed during 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

16. LOSS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	(7,786)	(10,901)

	Number of shares	
	2013	2012
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	1,540,577	885,401

For the year ended 31 December 2013, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for shares for 2013.

For the year ended 31 December 2012, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options and conversion of Company's outstanding warrants because the exercise prices of those share options and warrants were higher than the average market price for shares for 2012.

17. INVESTMENTS IN SUBSIDIARIES

	The Company 2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	1,247	1,247
Less: Impairment loss	–	–
	1,247	1,247

The list below denotes particulars of the subsidiaries which in the opinion of the directors of the Company, principally affect the results, assets and liabilities of the Group as at 31 December 2013 and 2012. To give details of other subsidiaries would in the opinion of the directors of the Company, result in particulars of excessive length. The class of shares held is ordinary unless otherwise stated. As of 31 December 2013 and 2012, the Group had effective interests in the following principal subsidiaries:

			Proportion of ownership interest As at 31 December 2013 and 2012			
Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Coast Holdings Limited	Hong Kong	100,000 shares of HK$1 each	100%	–	100%	Properties investment
Kingston Property Investment Limited	Hong Kong	20,000 shares of HK$1 each	100%	–	100%	Properties investment
Lisun Plastic Factory Limited ("LSHK")	Hong Kong	600,000 shares of HK$1 each	100%	–	100%	Sale of artificial flowers
惠東縣麗新塑膠廠有限公司	PRC	Paid up capital of USD250,000	100%	–	100%	Manufacturing and sale of artificial flowers
Lisun Trading Limited	Hong Kong	1 share of HK$1 each	100% *(Note (i))*	–	100%	Sale of artificial flowers
FT China Limited	Hong Kong	2 shares of HK$1 each	100%	–	100%	Investment holding
Star Wave Investments Limited	Hong Kong	1 share of HK$1 each	100%	100%	–	Securities investment
Smartrun Investments Limited	BVI	1 share of USD1 each	100%	100%	–	Securities investment
Kong Sun Finance Limited	Hong Kong	1 share of HK$1 each	100%	–	100%	Money lender

Notes:

(i) The subsidiaries were incorporated during the year ended 31 December 2013.

(ii) None of the subsidiaries had issued any debt securities subsisting at the end of both years or any time during both years.

18. AMOUNTS DUE FROM SUBSIDIARIES

	The Company	
	2013	**2012**
	HK$'000	*HK$'000*
Amounts due from subsidiaries	261,562	239,922
Less: Impairment loss recognised	(24,282)	(24,282)
	237,280	215,640

(a) The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

The operating performance of the subsidiaries was unsatisfactory due to intense competition. In the opinion of the directors of the Company, it was uncertain that sufficient cash flows would be generated by the subsidiaries in the foreseeable future as the subsidiaries suffered financial difficulties and sustained losses. In view of the uncertainty of the recovery of the outstanding balance in those subsidiaries which sustained losses and had poor operating performance and that the subsidiaries a not financially capable of repaying to the Company, the directors of the Company concluded that it was appropriate to make an impairment loss on the amounts due from subsidiaries. As at 31 December 2013, there was accumulated impairment losses of approximately HK$24,282,000 (2012: HK$24,282,000) recognised on the amounts due from subsidiaries. Further details are set out in Note 18(b). The directors of the Company consider that the accumulated impairment losses provided are adequate but not excessive.

(b) Movements of impairment losses recognised in respect of amounts due from subsidiaries are analysed as follows:

	The Company	
	2013	**2012**
	HK$'000	*HK$'000*
At 1 January	24,282	19,271
Impairment loss	–	5,011
At 31 December	24,282	24,282

19. INVESTMENT PROPERTIES

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
FAIR VALUE		
At 1 January	92,800	77,250
Additions	–	816
Increase in fair value recognised in profit or loss	3,100	14,734
At 31 December	95,900	92,800

The investment properties of the Group are situated in Hong Kong and held under long-term leases.

The fair values of the Group's investment properties at 31 December 2013 and 2012 have been arrived at on the basis of a valuation carried out on that day by Grant Sherman Appraisal Limited ("Grant Sherman"), an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions.

The Group leases out certain investment properties under operating leases, for an initial period of 1 to 3 years, with an option to renew on renegotiated terms.

All of the Group's property interests held to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are follows:

	Level 1	**Level 2**	**Level 3**	**Fair value as at 31/12/2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment properties	–	95,900	–	95,900

There were no transfers between levels in fair value hierarchy during the year.

The fair value of investment properties and properties held for own use located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

20. PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and Buildings *HK$'000*	Leasehold Improvement *HK$'000*	Plant and Machinery *HK$'000*	Furniture, Fixtures and Equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST						
At 1 January 2012	39,328	8,487	12,643	796	2,391	63,645
Additions	8,980	488	17	204	301	9,990
Disposals	(6,267)	–	(331)	–	(922)	(7,520)
Effect of foreign currency exchange differences	–	1	1	1	–	3
Written off	–	–	(4,577)	–	–	(4,577)
At 31 December 2012	42,041	8,976	7,753	1,001	1,770	61,541
Additions	–	154	2	53	2,402	2,611
Disposals	–	–	–	(645)	(1,763)	(2,408)
Effect of foreign currency exchange differences	–	2	2	4	–	8
At 31 December 2013	42,041	9,132	7,757	413	2,409	61,752
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2012	2,816	3,423	2,249	355	34	8,877
Provided for the year	1,492	1,968	1,012	215	411	5,098
Impairment recognised for the year	–	–	4,036	–	–	4,036
Eliminated on disposals	(865)	–	(142)	–	(56)	(1,063)
Effect of foreign currency exchange differences	–	–	–	2	–	2
Written off	–	–	(1,106)	–	–	(1,106)
At 31 December 2012	3,443	5,391	6,049	572	389	15,844
Provided for the year	1,357	1,964	344	113	518	4,296
Eliminated on disposals	–	–	–	(644)	(535)	(1,179)
Effect of foreign currency exchange differences	–	2	–	3	–	5
At 31 December 2013	4,800	7,357	6,393	443	72	18,966
CARRYING AMOUNTS						
At 31 December 2013	37,241	1,775	1,364	369	2,037	42,786
At 31 December 2012	38,598	3,585	1,704	429	1,381	45,697

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Land and buildings	Over the shorter of the term of the lease, or 25–50 years
Leasehold improvement	Over the shorter of the term of the lease, or 5 years
Plant and machinery	6.67%–10%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

Certain land and buildings of the Group held under medium-term lease situated in Hong Kong were acquired on 31 May 2011 due to the business acquisition during the year ended in 31 December 2011. The fair values of the land and buildings upon the acquisition were estimated with reference to the valuation made by Grant Sherman, an independent qualified professional valuer, on an open market value basis.

The net carrying amounts of furniture, fixtures and equipment and motor vehicle of approximately HK$369,000 (2012: HK$429,000) and HK$2,037,000 (2012: HK$1,381,000) includes an amount of approximately HK$24,000 (2012: HK$34,000) and HK$1,372,000 (2012: nil) in respect of assets held under finance lease respectively.

The Group has pledged land and buildings with a net carrying amount of approximately HK$13,237,000 (2012: HK$13,752,000) to secure general banking facilities (Note 32) granted to the Group.

The directors of the Company conducted review on the Group's property, plant and equipment which were used in the manufacturing and sales of artificial flowers for both years ended 31 December 2013 and 2012. No impairment was recognised during the year ended 31 December 2013 (2012: HK$4,036,000). Due to worse business environment during the year ended 31 December 2012, sale order of artificial flowers dropped significantly and the cash flow and profit could be generated from the usage of the assets decreased. The recoverable amounts of the relevant assets had been determined on the basis of their value-in-use and the discount rates in measuring the amounts of value-in-use were 15.32% (2012: 15.32%).

The carrying amount of land comprises:

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Leasehold land and buildings in Hong Kong Medium lease	13,237	13,752
Leasehold land and buildings in the PRC Medium lease	24,004	24,846
	37,241	38,598

21. PREPAID LEASE PAYMENTS

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current asset	473	473
Non-current asset	13,003	13,475
	13,476	13,948

The prepaid lease payments represent the leasehold land situated in the PRC and held under medium-term leases.

The amortisation charge of approximately HK$473,000 (2012: HK$473,000) for the year are included in administrative expenses in the consolidated statement of profit or loss.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
List investments:		
— Equity securities listed in Hong Kong, at fair value	42,105	22,332

The available-for-sale financial assets are stated at fair value. The fair value of the listed securities has been determined by reference to published price quotations in active markets. Net gain on fair value changes of available-for-sale financial assets of approximately HK$9,344,000 (2012: loss on approximately HK$313,000) has been recognised in other comprehensive income and accumulated in available-for-sale investment revaluation reserve.

During the year ended 31 December 2013, the Group has determined the value of its investment in certain listed securities to be impaired in view of the fair value of the available-for-sale financial assets significantly below its original cost. As a result, an impairment loss of approximately HK$4,352,000 (2012: HK$1,500,000) has been recognised in profit or loss for the year.

During the year ended 31 December 2013, the Group disposed of the right issues granted by the investee of its listed securities investment, and disposed of the entire right issues at a consideration of approximately HK$2,400,000, such amount was recognised as a gain on disposal and has been recorded in profit or loss for the year. Whereas during the year ended 31 December 2012, the Group disposed of certain listed securities at a consideration of approximately HK$18,960,000, with a carrying amount of approximately HK$5,712,000 prior to the disposal. A gain on disposal of approximately HK$13,248,000 had been recognised in profit or loss for the year ended 31 December 2012.

23. GOODWILL

	The Group
	HK$'000
Cost	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	8,582
Impairment	
At 1 January 2012	–
Impairment loss recognised for the year	8,582
At 31 December 2012, 1 January 2013 and 31 December 2013	8,582
Carrying values	
At 31 December 2013	–
At 31 December 2012	–

For the purposes of impairment testing, goodwill arising from the business combination in 2011 had been allocated to the Group's cash-generating unit ("CGU") comprising two subsidiaries in the manufacturing and sales of life-like plant operation segment and were fully impaired during the year ended 31 December 2012.

24. INVENTORIES

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Raw materials	764	1,133
Work in progress	163	202
Finished goods	96	115
	1,023	1,450

25. LOAN RECEIVABLE

On 16 October 2013, a loan with principal amount of HK$10,000,000 was lent to a single borrower, which carried fixed interest rate of 7% per annum and was repayable in 6 months from the date of lending. The loan was secured by approximate 37,000,000 shares of a company listed in the Stock Exchange, with a total market value of HK$97,680,000 as at 31 December 2013. The loan receivable would be matured within 12 months as at the end of reporting period and the loan receivable was neither past due nor impaired as at year ended date. Interest income generated from the loan was recognised as other revenue in the profit or loss. Details of the transaction were set out in the Company's announcement dated 16 October 2013.

26. TRADE RECEIVABLES

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Trade receivables	722	694

The Group allows a credit period normally ranging from 0 to 90 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period. The Group does not hold any collateral over these balances.

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
1 to 30 days	709	681
31 to 90 days	8	6
91 to 180 days	5	7
	722	694

The ageing analysis of trade receivables by due date that is past due but not impaired is as follow:

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
1 to 30 days	5	7
31 to 90 days	–	–
91 to 180 days	–	–
	5	7

Receivables that were past due but not impaired related to one customer (2012: two customers) that has a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Receivables of approximately HK$717,000 (2012: HK$687,000) that were neither past due nor impaired relate to customers for whom there was no recent history of default.

The Group's trade receivables that are denominated in currency other than the functional currency of the relevant Group entities are as follows:

	The Group	
	2013	**2012**
	'000	*'000*
USD	54	86

27. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables	3	19	–	–
Prepayments and deposits *(Note i)*	1,434	3,029	235	211
Loan interest receivable	148	–	–	–
Unsecured loan receivable *(Note ii)*	–	1,000	–	–
	1,585	4,048	235	211

Notes:

(i) As at 31 December 2012, included in the prepayments and deposits was a refundable deposit of HK$1,000,000 paid for the acquisition of 40% equity interest in an entity incorporated in Hong Kong from an independent third party. The transaction had been cancelled with that independent third party and the above deposit was refunded during the year ended 31 December 2013.

(ii) As at 31 December 2012, the loan receivable granted to an independent third party was unsecured, bore interest at a fixed interest rate at 4% per annum and had been fully repaid during the year ended 31 December 2013.

Recoverability of other receivables, prepayments and deposits is assessed on individual basis. At the end of 2013 and 2012, management assesses each of the outstanding balance of other receivables, prepayments and deposits to determine whether impairment loss has been adequately provided for, taking into account their credit position, repayment history and age of the amount owing to the Group.

The Group's other receivables, prepayments and deposits that are denominated in currency other than the functional currency of the relevant Group entities are as follows:

	The Group	
	2013	**2012**
	'000	*'000*
RMB	420	670

28. HELD-FOR-TRADING INVESTMENTS

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Listed investments:		
— Equity securities listed in Hong Kong	1,073	1,133

Held-for-trading investments are stated at fair value. The fair value of the listed securities has been determined by reference to published price quotations in active markets. Loss on fair value changes of held-for-trading investments of approximately HK$60,000 (2012: HK$187,000) has been recognised in profit or loss during the year ended 31 December 2013.

29. PLEDGED BANK DEPOSITS

As at 31 December 2013, bank deposits of HK$136,000 (2012: HK$1,161,000), with fixed interest rate at 0.33% (2012: 0.36%) per annum, were pledged to banks for the requirement of the PRC customs authorities respectively and were therefore classified as current assets.

Included in pledged bank deposits are the following amounts denominated in currency other than the functional currency of the relevant Group entities which are subject to foreign exchange control regulations or not freely transferable:

	The Group	
	2013	**2012**
	'000	*'000*
RMB	106	934

30. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates for both years.

Included in bank balances and cash are the following amounts denominated in currency other than the functional currency of the relevant Group entities, and RMB bank balances are subject to foreign exchange control regulations or not freely transferable:

	The Group	
	2013	**2012**
	'000	*'000*
US$	184	195
RMB	37,445	35,732

31. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	148	58	–	–
Other payables and accrued charges	12,835	13,286	6,053	6,790
	12,983	13,344	6,053	6,790

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

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
1 to 30 days	148	58

The average credit period on purchases of goods is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The Group's trade payables, other payables and accrued charges that are denominated in currencies other than the functional currency of the relevant Group entities are as follows:

	The Group	
	2013	**2012**
	'000	*'000*
RMB	415	1,534

32. BORROWINGS

At 31 December 2013, details of the borrowings carried at amortised cost and repayable within 5 years were as follows:

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Bank loans	7,920	8,829
Other loan *(Note (i))*	1,537	–
	9,457	8,829
Secured *(Note (ii))*	7,920	8,570
Unsecured *(Note (iii))*	1,537	259
	9,457	8,829
Carrying amount repayable *(Note (iv))*:		
Within one year	4,203	2,908
More than one year, but not exceeding two years	–	–
	4,203	2,908
Carrying amount of borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	5,254	5,921
	9,457	8,829
Less: Amounts shown under current liabilities	(9,457)	(8,829)
Amounts shown under non-current liabilities	–	–

Notes:

(i) The amount is an interest-free loan of HK$1,537,000 borrowed from an independent third party.

(ii) Secured by a mortgage over the Group's land and buildings (Note 20) and carried variable interest ranging from 1.375% to 2% (2012: 1.375% to 2%) per annum below prime rate or 2.5% (2012: 2.5%) per annum over 1 month Hong Kong Interbank Offered Rate, whichever is lower. The weighted average effective interest rate on the bank borrowing is 2.47% (2012: 2.47%) per annum.

(iii) Unsecured bank borrowings of HK$259,000 were fully settled in 2013 and carried fixed interest ranging from 6.75% to 8.95% per annum. The weighted average effective interest rate on such borrowing is 8.18% per annum. Please refer to Note (i) above for the term of unsecured borrowing as at 31 December 2013.

(iv) The amounts due are based on the scheduled repayment dates set out in the loan agreements.

The Group's borrowings that are denominated in currencies other than the functional currency of the relevant Group entities are as follows:

	The Group	
	2013	**2012**
	'000	*'000*
RMB	1,200	–

33. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles and office equipment under finance lease. The average lease term is 5 years (2012: 3 years). Interest rates underlying all obligations under finance leases fixed at respective contract dates are 2.25% per annum as at 31 December 2013 (2012: 6.29% to 7.26% per annum). The weighted average effective interest rate on the obligations under finance leases is 2.25% per annum as at 31 December 2013 (2012: 6.59%). These leases had no terms of purchase options and escalation clauses. No arrangements have been entered into for contingent rental payments.

	The Group			
	Minimum lease payment		**Present value of minimum lease payments**	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance lease:				
Within one year	350	9	301	9
In more than one year but not more than two years	350	9	314	9
In more than two years but not more than five years	707	14	677	14
	1,407	32	1,292	32
Less: future finance charges	115	–	N/A	N/A
Present value of lease obligations	1,292	32	1,292	32
Less: Amount due for settlement within 12 months (shown under current liabilities)			301	9
Amount due for settlement after 12 months			991	23

The Group's obligations under finance leases of motor vehicles and office equipment are secured by the lessors' title to the leased assets.

Financial lease obligations are denominated in HK$, functional currency of the relevant Group entity.

34. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior years:

	Revaluation of prepaid lease payment	Accelerated tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 January 2012	5,986	3,098	9,084
Credit to profit or loss	(217)	(1,145)	(1,362)
At 31 December 2013 and 1 January 2013	5,769	1,953	7,722
Credit to profit or loss	(217)	(39)	(256)
At 31 December 2013	5,552	1,914	7,466

At the end of the reporting period, the Group had unused tax losses of approximately HK$119,420,000 (2012: HK$109,748,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$41,992,000 (2012: HK$36,941,000) that can be carried forward for 5 years from the year in which the respective loss arose. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$1,018,000 (2012: HK$1,642,000). No deferred tax assets have been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

35. SHARE CAPITAL

The Group and the Company

	Number of shares *'000*	Share capital *HK$'000*
Authorised		
Ordinary shares of HK$0.20 each as at 1 January 2012	2,000,000	400,000
Capital reduction during the year *(Note (a))*	–	(380,000)
Increase in authorised capital during the year *(Note (c))*	18,000,000	180,000
Ordinary shares of HK$0.01 each as at 31 December 2012, 1 January 2013 and 31 December 2013	20,000,000	200,000
Issued and fully paid		
Ordinary shares of HK$0.20 each as at 1 January 2012	718,962	143,793
Capital reduction during the year *(Note (b))*	–	(136,603)
Placing of new shares *(Note (d))*	750,000	7,500
Ordinary shares of HK$0.01 each as at 31 December 2012 and 1 January 2013	1,468,962	14,690
Placing of new shares *(Note (e))*	293,700	2,937
Ordinary shares of HK$0.01 each as at 31 December 2013	1,762,662	17,627

Notes:

Pursuant to a special resolution passed at an extraordinary general meeting of the Company on 30 July 2012, the Company effected a capital reorganisation which involved:

(a) The par value of each authorised, issued and fully paid share was reduced from HK$0.20 to HK$0.01 by cancellation of HK$0.19 on each authorised, issued and fully paid share;

(b) The credit of approximately HK$136,603,000 arose as a result of the Capital Reduction was transferred to the share premium account of the Company;

(c) The authorised share capital of the Company was increased from HK$20,000,000 (divided into 2,000,000,000 shares) to HK$200,000,000 (divided into 20,000,000,000 shares) by the creation of an additional 18,000,000,000 ordinary shares of par value of HK$0.01 each which rank pari passu with the existing shares in all respects;

(d) Pursuant to a conditional placing agreement dated 13 June 2012 entered into between the Company and the placing agent, the placing agent agreed to place 750,000,000 new shares of HK$0.01 each at the price of HK$0.07 per placing share. All conditions of the placing agreement have been fulfilled and completion of the placing agreement took place on 12 October 2012.

The proceed of HK$7,500,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$45,000,000, were credited to the share premium account. The new shares rank pari passu with the existing shares in all aspects. Details of the transaction were set out in the Company's announcement dated 12 October 2013.

(e) Pursuant to a conditional placing agreement dated 6 September 2013 entered into between the Company and the placing agent, the placing agent agreed to place 293,700,000 new shares of HK$0.01 each at the price of HK$0.086 per placing share. All conditions of the placing agreement have been fulfilled and completion of the placing agreement took place on 3 October 2013.

The proceeds of HK$2,937,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$22,321,000, were credited to the share premium account. The new shares rank pari passu with the existing shares in all aspects. Details of the transaction were set out in the Company's announcement dated 3 October 2013.

All the above shares rank pari passu in all aspects with other shares in issue.

36. RESERVES

The Company

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Share options reserve *HK$'000*	Warrants reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2012	126,958	20	3,000	1,771	(109,443)	22,306
Loss and total comprehensive expense for the year	–	–	–	–	(7,153)	(7,153)
Capital reduction *(Note 35(b))*	136,603	–	–	–	–	136,603
Warrants lapsed during the year *(Note 38)*	–	–	–	(1,771)	1,771	–
Placing of new shares *(Note 35(d))*	45,000	–	–	–	–	45,000
Issuing expenses in relation to share placing	(1,397)	–	–	–	–	(1,397)
At 31 December 2012 and 1 January 2013	307,164	20	3,000	–	(114,825)	195,359
Loss and total comprehensive expense for the year	–	–	–	–	(1,714)	(1,714)
Placing of new shares *(Note 35(e))*	22,321	–	–	–	–	22,321
Issuing expenses in relation to share placing	(781)	–	–	–	–	(781)
Share option lapsed during the year *(Note 37)*	–	–	(3,000)	–	3,000	–
At 31 December 2013	328,704	20	–	–	(113,539)	215,185

Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

The capital redemption reserve represents the amount by which the Company's issued share capital is diminished on cancellation of the shares redeemed or purchased.

(ii) Share options reserve

Share options reserve represents the fair value of unexercised share options granted by the Company recognised in accordance with the accounting policy "Share-based Payment Transactions" as stated in Note 3.

(iii) Warrants reserve

Warrants reserve represents the fair value of warrants on the date of issue by the Company recognised in accordance with the accounting policy "Financial Instruments" as stated in Note 3.

37. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Share Option Scheme"), was adopted pursuant to a resolution passed on 22 July 2009 for the primary purpose of providing incentives to eligible persons, and will expire on 21 February 2013. Eligible participants of the Share Option Scheme include an employee or a Director of the Company or the Group's holding companies or subsidiaries, adviser, consultant, agent, contractor, customer, supplier or any entity in which the Group or its holding companies or subsidiaries holds any equity interest who has contribution to the Group.

Details and the major terms of the Share Option Scheme are as follows:

(i) Purpose

The purpose of the Share Option Scheme is to enable the Company to grant options to the participants in recognition of their contribution to the Group.

(ii) Participants

The directors of the Company may offer to grant an option to any employee or director of the Company or the Group's holding companies or subsidiaries, adviser, consultant, agent, contractor, customer, supplier or any entity in which the Group or its holding companies or subsidiaries holds any equity interest who has contribution to the Group.

(iii) Terms of options

The share options granted under the Share Option Scheme are subject to such terms and conditions as may be determined by the directors of the Company at their absolute discretion and specified in the offer of a share option, which terms and conditions may include (a) vesting conditions which must be satisfied before a share option holder's share option shall become vested and capable of being exercised; and (b) the directors of the Company may, in its absolute discretion, specify performance conditions that must be achieved before a share option can be exercised and/or the minimum period for which a share option must be held before it can be exercised.

(iv) Option price

The option price will be determined by the directors of the Company at their absolute discretion and notified to an option-holder. The minimum option price shall not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of offer of an option; (b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of an option; and (c) the nominal value of the shares of the Company.

(v) Maximum number of shares

(1) 10% Limit

(a) The total numbers of shares which may be issued upon exercise of all options to be granted must not in aggregate exceed 10% of the aggregate of the shares of the Company in issue as at the date of adoption of the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme and any other scheme will not be counted for the purpose of calculating the 10% limit in this paragraph.

(b) With the approval of the shareholders of the Company in general meeting, the directors of the Company may "refresh" the 10% limit under paragraph (a) (and may further refresh such limit in accordance with this paragraph) provided that the total number of shares of the Company which may be issued upon the exercise of all options to be granted under the limit as "refreshed" shall not exceed 10% of the shares in issue as at the date on which the shareholders approve the "refreshed" limit.

Options previously granted (including those outstanding, cancelled and lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the limit as "refreshed".

(c) Subject to the limits as stated in elsewhere, the directors of the Company may, with the approval of the shareholders, grant options in excess of the 10% limit to participants specifically identified before shareholders' approval is sought. In such situation, the Company will send a circular to the shareholders of the Company containing a generic description of the specified participants who may be granted such options, the number and terms of such options to be granted and the purpose of granting such options to the specified participants with an explanation of how the terms of the options will serve the purpose.

(2) 30% Limit

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not exceed 30% of the shares of the Company in issue from time to time. No options may be granted under the Share Option Scheme if this will result in the limit being exceeded.

(vi) Maximum entitlement of each participant

Subject always to the limits as stated in elsewhere, the directors of the Company shall not grant any options to any participant which, if exercised, would result in such participant becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including those options exercised or outstanding) in any 12-month period exceed 1% of the shares of the Company in issue at such date. The directors of the Company may grant options to any participant in excess of the individual limit of 1% in any 12-month period with the approval of the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

(vii) Time of exercise of options

An option under the Share Option Scheme which is vested and has not lapsed may be exercised at any time during such period notified by the directors of the Company as not exceeding 10 years from the date on which a participant is offered such option. The exercise of options may also be subject to any conditions imposed by the directors of the Company at the time of offer.

(viii) Period of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme, after which period no further options will be granted. The directors of the Company may terminate the Share Option Scheme at any time and in such event no further options shall be granted under the Share Option Scheme but any options which have been granted but not yet exercised shall continue to be valid and exercisable.

At 31 December 2012, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 34,208,382, representing 2.33% of the shares of the Company in issue at that date. No consideration is payable on the grant of an option.

During the year ended 31 December 2013, all the options under the Share Option Scheme was lapsed.

Details of option are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Fair value at grant date
22 February 2010	–	22 February 2010 to 21 February 2013	HK$0.422 per share	HK$0.10 per share

The following table discloses movements of the Company's share options held by an employee and consultants during the year:

Category	Date of grant	Outstanding at 1 January 2013 and 31 December 2013
Employee	22 February 2010	5,095,588
Consultants	22 February 2010	29,112,794
		34,208,382
Lapsed at the end of the year		34,208,382
Weighted average exercise price		HK$0.422

The estimated fair value of the options granted on the above-mentioned date was HK$3,000,000 and recognised in 2010. The Group did not recognised any expense in relation to share options granted by the Company for the year ended 31 December 2013 (2012: nil).

The Black-Scholes option pricing model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

This fair value was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

Grant date	**22 February 2010**
Exercise price	HK$0.422
Expected volatility	50.55%
Expected life	1.5 years
Risk-free rate	0.445%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1.5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

38. WARRANTS

As set out in the Company's announcement dated 13 December 2010, the Company has issued 95,860,000 warrants to the subscribers of the offer shares conferring the rights to the holders thereof to subscribe in cash for 95,860,000 ordinary shares of the Company of HK$0.01 per share at an initial exercise price of HK$0.28 per share at any time during the period from 13 December 2010 to 12 December 2012.

The warrants with subscription price of HK$0.02 per share are recognised in the warrants reserve on initial recognition with a fair value of approximately HK$1,917,000. The transaction cost directly attributable to the issue of the share warrants of approximately HK$146,000 was debited to the warrants reserve.

On 12 October 2012, the Company conducted a placing of its shares. As a result of completion of placing, the exercise price of warrants has been adjusted from HK$0.28 per share to HK$0.21 per share.

At 1 January 2012, the Company had outstanding 95,860,000 warrants, the exercise in full of which would result in the issue of 95,860,000 ordinary shares of HK$0.20 each. During the year ended 31 December 2012, no warrants were exercised or cancelled. The share warrants became expired on 12 December 2012 and the warrants reserve of HK$1,771,000 was transferred to accumulated losses during the year ended 31 December 2012.

39. LITIGATION

On 3 November 2003, an action was commenced by Mr. Cheung Yik Wang ("CYW"), who claims himself as an investor of Easternet Limited which owns 46% of Xswim (Holding) Limited ("Xswim Holding") which is a 54% owned subsidiary of the Company, against Mr. Kong Li Szu as 1st defendant, the Company's former director, and the Company as 2nd defendant for recovering a sum of HK$11,600,000 together with interest and costs in connection with a cheque issued on 20 December 2002 by the Company to CYW which was dishonoured upon presentation for payment. It was alleged that the cheque was issued by the Company as a guarantee for payment of a cheque issued by Mr. Kong. A defence was filed by the Company on 19 January 2004. CYW also filed a reply to defence on 17 February 2004. Subsequently, CYW took no further proceedings in the action, and up to the date of approval of these financial statements, such notice had not been filed by CYW nor served on the Company.

In the opinion of the directors of the Company, in 2002, Xswim Holding, a non-wholly owned subsidiary of the Company, and its subsidiaries ("Xswim Group") advanced to the Company an aggregate of approximately HK$15,241,000. In 2002, the Company repaid Xswim Group HK$5,600,000 leaving a balance of approximately HK$9,641,000 outstanding (the "Outstanding Balance") and requested CYW to advance HK$2,000,000 (the "Intended Loan") to the Company. As a result, the Company and Mr. Kong respectively issued on 20 December 2002 a cheque with an amount of HK$11,600,000 each payable to CYW as securities for the Outstanding Balance and the

Intended Loan, although CYW has never advanced the Intended Loan to the Company. The Company repaid in full the Outstanding Balance to Xswim Group in 2003. Upon the full repayment of the Outstanding Balance in 2003, in the opinion of the directors of the Company, the Company no longer had legal or financial obligations to pay CYW and thus refused to present the cheque previously issued to CYW in 2003. As at 31 December 2013 and 2012, with the advices by the Company's legal adviser, the directors of the Company were of the opinion that the Group has proper and valid defences to the CYW's action and accordingly, no provision for loss had been accounted for in these financial statements.

40. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,250 (2012: HK$1,250) per month for each employee.

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Group contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 December 2013, the total retirement benefit cost charged to the consolidated statement of profit or loss amounted to approximately HK$465,000 (2012: HK$386,000).

41. RELATED PARTY TRANSACTIONS

(a) The balances with the subsidiaries and the respective terms are disclosed in Note 18.

(b) Compensation of directors of the Company and key management personnel.

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

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Short-term benefits	2,511	2,681
Post-employment benefits	30	14
	2,541	2,695

The remuneration of directors of the Company and key management is determined by the remuneration committee having regards to the performance of individuals and market trends.

42. COMMITMENTS

(a) Capital commitment

Capital commitment outstanding as at 31 December 2013 and 2012 authorised or contracted but not provided for in the financial statements were as follows:

	The Group	
	2013	**2012**
	HK$'000	*HK$'000*
Authorised and contracted for		
— acquisition of plant and equipment	–	1,026

There was no capital commitment outstanding as at 31 December 2013 and 2012 not provided for in the Company's financial statements.

(b) Lease commitment

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non- cancellable operating leases which fall due as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Within one year	626	616
In the second to fifth year inclusive	467	1,071
	1,093	1,687

Operating lease payments as at 31 December 2013 represented rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of 3 years with fixed monthly rentals. The operating lease contracts contained market review clauses in the event that the Group exercises its option to renew. The Group did not have an option to purchase the leased asset at the expiry of the lease period.

The Company as lessee

The Company did not have any commitment for future minimum lease payments under non-cancellable operating leases as at 31 December 2013 and 2012.

The Group as lessor

Property rental income earned during the year was approximately HK$1,246,000 (2012: HK$1,720,000). The properties are expected to generate rental yields of 1.30% (2012: 1.85%) on an ongoing basis. The properties held have committed tenants for the next year.

Motor vehicle rental income earned during the year was approximately HK$168,000 (2012: HK$138,000). The motor vehicle is expected to generate rental yields of 20.81% (2012: 20.81%) on an ongoing basis. The motor vehicle held has committed tenants for the next 2 years.

At the end of the reporting period, the Group had contracted with tenants for the following non-cancellable future minimum lease payments:

	2013	2012
	HK$'000	*HK$'000*
Within one year	2,044	489
In the second to fifth year inclusive	2,577	115
	4,621	604

The Company as lessor

The Company did not contract with tenants for any non-cancellable future minimum lease payments as at 31 December 2013 and 2012.

43. FINANCIAL GUARANTEE CONTRACT

The Company had issued a guarantee to a bank in respect of banking facilities of HK$9,200,000 to LSHK on 18 July 2011. The banking facilities were renewed on 4 May 2012, the Company had issued another guarantee to bank in respect of renewed banking facilities of approximately HK$11,425,000 on the same day.

LSHK is an entity covered by a guarantee arrangement issued by the Company to a bank in respect of banking facilities granted to LSHK which remains in force so long as the subsidiary has drawn down under the banking facilities. Under the guarantee, the Company is a party to the guarantee for all borrowings of subsidiary from the bank which is the beneficiary of the guarantee.

As at 31 December 2013, the directors of the Company do not consider it probable that a claim will be made against the Company under any of the guarantee. The maximum liability of the Company at the end of the reporting period under the guarantee issued is the outstanding amount of the facility drawn down by LSHK of approximately HK$7,920,000 (2012: HK$8,570,000). Fair value of the financial guarantee as at 31 December 2013, amounted to approximately nil (inception date 4 May 2012: HK$777,000) was arrived at on the basis of a valuation carried out by Grant Sherman, an independent qualified professional valuer not connected with the Group. During the year ended 31 December 2013, an amortisation on financial guarantee of approximately nil (2012: HK$753,000) has been recognised in the Company's profit or loss.

The carrying amount of the financial guarantee issued by the Company as at 31 December 2013 was approximately nil (2012: HK$259,000).

44. MAJOR NON-CASH TRANSACTION

On 24 February 2012, the Group entered into the property sales agreements with certain joint vendors (the "Vendors"), pursuant to which the Group transferred the ownership of property ("Property I") to the Vendors and the Vendors transferred the ownership of another property ("Property II") to the Group. Upon completion, the Group became the owner of Property II and the Vendors became the owner of Property I. A gain of HK$1,698,000 from the sales of property was recognised in consolidated statement of profit or loss during the year ended 31 December 2012.

Details of transactions were set out in the Company's announcements dated 24 February 2012 and 25 May 2012.

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2012

The following is the full text of the audited consolidated financial information of the Group for the year ended 31 December 2012 as extracted from the annual report of the Company for the year ended 31 December 2012:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

	Notes	**2012** *HK$'000*	**2011** *HK$'000*
Turnover	*7*	8,560	72,844
Sale of life-like plants	*7*	6,840	69,171
Properties rental income	*7*	1,720	2,258
Dividend income from equity investments	*7*	–	38
		8,560	71,467
Cost of sales		(7,127)	(67,332)
Gross profit		1,433	4,135
Other revenue	*9*	3,585	7,177
Loss on fair value changes of held-for-trading investments	*27*	(187)	(1,252)
Loss on disposal of held-for-trading investments	*27*	–	(873)
Impairment loss on available-for-sale financial assets	*22*	(1,500)	(11,358)
Impairment loss recognised in respect of goodwill	*23*	(8,582)	–
Impairment loss recognised in respect of property, plant and equipment	*20*	(4,036)	–
Gain on disposal of available-for-sale financial assets	*22*	13,248	–
Gain on fair value changes of investment properties	*19*	14,734	19,720
Distribution and selling expenses		(458)	(2,852)
Administrative expenses		(20,001)	(22,827)
Other operating expenses		(10,143)	–
Loss on fair value changes of convertible bonds	*33*	–	(32,706)
Loss on derecognition of contingent consideration	*40*	–	(856)
Finance costs	*10*	(346)	(1,900)
Loss before tax		(12,253)	(43,592)
Income tax credit	*11*	1,352	176
Loss for the year attributable to owners of the Company	*12*	(10,901)	(43,416)
Loss per share			
Basic and diluted	*16*	HK(1.23) cents	HK(6.04) cents

CONSOLIDATE D STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	**2012** *HK$'000*	**2011** *HK$'000*
Loss for the year	*12*	(10,901)	(43,416)
Other comprehensive income (expenses)			
Exchange differences arising on translation of foreign operations		22	47
Loss on fair value changes of available-for-sale financial assets	22	(313)	(21,546)
Reclassification to consolidated income statement: Impairment loss on available-for-sale financial assets	22	1,500	11,358
Other comprehensive income (expenses) for the year, net of income tax		1,209	(10,141)
Total comprehensive expenses for the year attributable to owners of the Company		(9,692)	(53,557)

CONSOLIDATE D STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investment properties	19	92,800	77,250
Property, plant and equipment	20	45,697	54,768
Prepaid lease payments	21	13,475	13,948
Available-for-sale financial assets	22	22,332	6,586
Goodwill	23	–	8,582
Deposit paid for acquisition of property, plant and equipment		114	–
		174,418	161,134
Current assets			
Inventories	24	1,450	10,997
Trade receivables	25	694	10,515
Other receivables, prepayments and deposits	26	4,048	6,190
Prepaid lease payments	21	473	473
Held-for-trading investments	27	1,133	1,320
Pledged bank deposits	28	1,161	1,158
Bank balances and cash	29	105,643	60,413
		114,602	91,066
Current liabilities			
Trade payables, other payables and accrued charges	30	13,344	18,983
Bank borrowings	31	8,829	5,353
Obligations under finance leases	32	9	214
		22,182	24,550
Net current assets		92,420	66,516
Total assets less current liabilities		266,838	227,650

	Notes	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Bank borrowings	*31*	–	168
Obligations under finance leases	*32*	23	716
Deferred tax liabilities	*34*	7,722	9,084
		7,745	9,968
Net assets		259,093	217,682
Capital and reserves			
Share capital	*35*	14,690	143,793
Reserves		244,403	73,889
Total equity		259,093	217,682

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current asset			
Investments in subsidiaries	*17*	1,247	470
Current assets			
Other receivables, prepayments and deposits	*26*	211	193
Amounts due from subsidiaries	*18*	215,640	172,257
		215,851	172,450
Current liabilities			
Other payables and accrued charges	*30*	6,790	6,586
Financial guarantee contract	*45*	259	235
		7,049	6,821
Net current assets		208,802	165,629
Net assets		210,049	166,099
Capital and reserves			
Share capital	*35*	14,690	143,793
Reserves	*36*	195,359	22,306
Total equity		210,049	166,099

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company								
	Share capital *(Note 35)* HK$'000	Share premium *(Note 36)* HK$'000	Capital redemption reserve *(Note 36)* HK$'000	Exchange reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Share options reserve *(Note 37)* HK$'000	Warrants reserve *(Note 38)* HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011	143,793	126,958	20	–	10,188	3,000	1,771	(14,491)	271,239
Loss for the year	–	–	–	–	–	–	–	(43,416)	(43,416)
Exchange differences arising on translation of foreign operations	–	–	–	47	–	–	–	–	47
Loss on fair value changes of available-for-sale financial assets	–	–	–	–	(21,546)	–	–	–	(21,546)
Reclassification to consolidated income statement:									
Impairment loss on available-for-sale financial assets	–	–	–	–	11,358	–	–	–	11,358
Total comprehensive income (expenses) for the year	–	–	–	47	(10,188)	–	–	(43,416)	(53,557)
At 31 December 2011	143,793	126,958	20	47	–	3,000	1,771	(57,907)	217,682
At 31 December 2011 and 1 January 2012	143,793	126,958	20	47	–	3,000	1,771	(57,907)	217,682
Loss for the year	–	–	–	–	–	–	–	(10,901)	(10,901)
Exchange differences arising on translation of foreign operations	–	–	–	22	–	–	–	–	22
Loss on fair value changes of available-for-sale financial assets	–	–	–	–	(313)	–	–	–	(313)
Reclassification to consolidated income statement:									
Impairment loss on available-for-sale financial assets	–	–	–	–	1,500	–	–	–	1,500
Total comprehensive income (expenses) for the year	–	–	–	22	1,187	–	–	(10,901)	(9,692)
Capital reduction *(Note 35(b))*	(136,603)	136,603	–	–	–	–	–	–	–
Placing of new shares *(Note 35(d))*	7,500	45,000	–	–	–	–	–	–	52,500
Issuing expenses in relation to share placing	–	(1,397)	–	–	–	–	–	–	(1,397)
Warrants lapsed during the year *(Note 38)*	–	–	–	–	–	–	(1,771)	1,771	–
At 31 December 2012	14,690	307,164	20	69	1,187	3,000	–	(67,037)	259,093

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before tax	(12,253)	(43,592)
Adjustments for:		
Amortisation of prepaid lease payments	473	473
Depreciation of property, plant and equipment	5,098	4,244
Finance costs	346	1,900
Gain on fair value changes of investment properties	(14,734)	(19,720)
Gain on disposal of available-for-sale financial assets	(13,248)	–
Gain on disposal of property, plant and equipment	(1,772)	(2,073)
Loss on written off of inventories	6,672	–
Loss on fair value changes of convertible bonds	–	32,706
Loss on fair value changes of held-for-trading investments	187	1,252
Impairment loss on available-for-sale financial assets	1,500	11,358
Loss on written off of property, plant and equipment	3,471	278
Interest income	(1,324)	(1,651)
Impairment loss recognised in respect of goodwill	8,582	–
Impairment loss recognised in respect of property, plant and equipment	4,036	–
Loss on derecognition of contingent consideration	–	856
Operating cash flows before movements in working capital	(12,966)	(13,969)
Decrease in inventories	2,875	6,345
Decrease (increase) in trade receivables	9,821	(8,600)
Decrease in other receivables, prepayments and deposits	2,142	55
Decrease in held-for-trading investments	–	2,250
Decrease in trade payables, other payables and accrued charges	(5,639)	(3,982)
Cash used in operating activities	(3,767)	(17,901)
Income tax paid	(10)	(111)
NET CASH USED IN OPERATING ACTIVITIES	(3,777)	(18,012)

	Note	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Purchase of available-for-sale financial assets		(21,771)	–
Additions of investment properties		(816)	(370)
Increase in deposit paid for acquisition of property, plant and equipment		(114)	–
Interest received		1,324	1,651
Net cash outflows on acquisition of a subsidiary	40	–	(22,324)
Proceeds from disposal of plant and equipment		1,129	2,575
Proceeds from disposal of available-for-sale financial assets		18,960	–
Purchases of plant and equipment		(2,890)	(2,126)
Withdrawal of pledged bank deposits		–	5,963
Withdrawal of time deposits with maturities over three months		–	118,721
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(4,178)	104,090
FINANCING ACTIVITIES			
Proceeds from placing of shares		52,500	–
New bank borrowings		9,000	4,700
Repayments of bank borrowings		(5,692)	(5,106)
Payment for share issue costs		(1,397)	–
Repayments of obligations under finance leases		(898)	(46)
Repayments of convertible bonds		–	(40,000)
Interest paid		(346)	(1,900)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		53,167	(42,352)
NET INCREASE IN CASH AND CASH EQUIVALENTS		45,212	43,726
CASH AND CASH EQUIVALENTS AT 1 JANUARY		60,413	16,642
Effect of foreign exchange rate changes		18	45
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		105,643	60,413

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company referred to as the "Group") are set out in Note 17.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfer of Financial Assets

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's performance and the Group's and the Company's positions for the current and prior years and/or disclosures set out in these financial statements.

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

Amendments to HKFRSs	Annual improvements 2009–2011 Cycle[2]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK (International Financial Reporting Interpretation Committee) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

Annual Improvements to HKFRSs 2009–2011 Cycle Issued In June 2012

The Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the consolidated and the Company's financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors anticipate that the amendments to HKAS 32 will have no effect on the consolidated and the Company's financial statements as the Group and the Company has already adopted this treatment.

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities and Amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the reclassification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 may affect the classification of the Group's available-for-sale financial assets and may have significant impact on amounts reported in respect of the Group's and the Company's other financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and Revised Standards on Consolidation, Joint Arrangements, Associates and Disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC) – Int 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements and associates, and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Company anticipate that the application of these five standards may not have significant impact on the amounts reported in the consolidated financial statements under the current group structure.

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

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an 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 to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of the new standard may affect certain amounts reported in the consolidated and the Company's financial statements and result in more extensive disclosures in the financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group and of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of Consolidation

The financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of 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 equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Investments in Subsidiaries

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

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Property, Plant and Equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated subsequent impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual value 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 accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid Lease Payments

Prepaid lease payments represent lease prepayments paid or payable for the right to use the land on which various plants and buildings are situated for a definite period, are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of prepaid lease payments is calculated on a straight-line basis over the expected period of the rights.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

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.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied.

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation 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.

For the purposes of presenting the financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange difference arising are recognised in equity under the heading of exchange reserve.

Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing Costs

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Cash and Cash Equivalents

Bank balances and cash in the consolidated and the Company's statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated and the Company's statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The Company's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held-for-trading.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "loss on fair value changes of held-for-trading investments" line item in the consolidated income statement. Fair value is determined in the manner described in Note 6.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from subsidiaries, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale investment reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

Dividend on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, other receivables and amounts due from subsidiaries, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and amounts due from subsidiaries, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables, other receivables and amounts due from subsidiaries is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in available-for-sale investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liability classified as at FVTPL, of which the interest expenses is included in net gains or losses.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in the fair value changes of convertible bonds line item in profit or loss and excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade payables, other payables and accrued charges, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

For warrants issued to subscribers of the Company's shares, the fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to the retained earnings/accumulated losses.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-Based Payment Transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Impairment Losses on Tangible Assets Other than Goodwill (see the Accounting Policy in Respect of Goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical Judgements in Applying Accounting Policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Litigation

The Group is involved in the lawsuits and claims for both years ended 31 December 2012 and 2011. The directors of the Company believe that the Group has substantial legal and factual bases to defend for their position and are of the opinion that the estimated losses arising from these lawsuits, if any, will not have a material adverse impact on the results of the operations or the financial position of the Group. Accordingly, no provision for such liabilities has been made in the financial statements. Details of litigation are disclosed in Note 39.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather those will be realised through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Key Sources of Estimation Uncertainty

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise. As at 31 December 2012, the carrying amount of goodwill is nil (2011: HK$8,582,000). Impairment loss of HK$8,582,000 was recognised during the year ended 31 December 2012 (2011: nil). Details of the recoverable amount calculation are disclosed in Note 23.

Estimated impairment losses in respect of trade receivables

The policy for making impairment losses on trade receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 December 2012, the carrying amount of trade receivables was HK$694,000 (2011: HK$10,515,000). No impairment loss was recognised on trade receivables during the year ended 31 December 2012 (2011: nil). Details of trade receivables are disclosed in Note 25.

Fair value of financial guarantee contract

The Company provided financial guarantee to a bank in respect of banking facilities granted to a subsidiary. Fair value of financial guarantee at inception date amounted to approximately HK$770,000 (2011: HK$470,000) has been recognised in the Company's statement of financial position. The determination of the fair value of financial guarantees requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact the fair value of the financial guarantee and the results for the period in which such estimates change. Details of financial guarantee contract are disclosed in Note 45. As at 31 December 2012, the carrying amount of the financial guarantee contract in the Company's statement of financial position as at 31 December 2012 was HK$259,000 (2011: HK$235,000).

Fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. The carrying amount of investment properties measured at fair value at 31 December 2012 was approximately HK$92,800,000 (2011: HK$77,250,000)

Estimated useful lives of property, plant and equipment

The Group's property, plant and equipment are depreciated over the shorter of the unexpired term of leases and their estimated useful lives, and after taking into account of their estimated residual values, using the straight-line method, at the rates ranging from 2% to 20% per annum. The estimated useful life reflects the directors of the Company estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Impairment of property, plant and equipment and prepaid lease payments

The impairment loss for property, plant and equipment and prepaid lease payments are recognised for the amounts by which the carrying amount exceeds its recoverable amount, in accordance with the Group's accounting policy.

The Group evaluates whether property, plant and equipment and prepaid lease payments have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates such as the future revenue and discount rates, taking into account the existing business plan going forward, the current sales orders on hand and other strategic new business development. The Group's carrying values of property, plant and equipment and prepaid lease payments as at 31 December 2012 was approximately HK$45,697,000 (2011: HK$54,768,000) and HK$13,948,000 (2011: HK$14,421,000) respectively. Impairment loss of HK$4,036,000 (2011: nil) was recognised on property, plant and equipment during the year ended 31 December 2012. No impairment loss was recognised on prepaid lease payment during the year ended 31 December 2012 (2011: nil).

Impairment loss for inventories

The management of the Group reviews an ageing analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. The carrying amount of inventories as at 31 December 2012 was approximately HK$1,450,000 (2011: HK$10,997,000). No impairment loss was recognised during the years ended 31 December 2012 and 2011. Details of inventories are disclosed in Note 24.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings, obligations under finance leases, net of pledged bank deposits, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, share premium and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt.

6. FINANCIAL INSTRUMENTS

(A) Categories of Financial Instruments

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Available-for-sale financial assets	22,332	6,586	–	–
Fair value through profit or loss Held-for-trading investments	1,133	1,320	–	–
Loan and receivables (including cash and cash equivalents)	109,698	74,631	215,641	172,257
Financial liabilities				
At amortised cost	16,167	17,551	6,790	6,586
Financial guarantee contract	–	–	259	235

(B) Financial Risk Management Objectives and Policies

The Group's and the Company's major financial instruments include available-for-sale financial assets, trade receivables, other receivables, held-for-trading investments, pledged bank deposits, bank balances and cash, trade payables, other payables and accrued charges, bank borrowings, obligations under finance leases and financial guarantee contract. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 70% (2011: 92%) of the Group's sales and 65% (2011: 56%) of its costs are denominated in currencies other than the functional currency of the Group entity making the sale and purchase.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States Dollars ("US$")	2,185	13,175	–	1,083
Renminbi ("RMB")	45,608	44,005	1,881	4,344

There was no foreign currency denominated monetary assets and monetary liabilities at the reporting date in the Company.

Sensitivity analysis

The Group is mainly exposed to the US$ and RMB.

USD is not the functional currency of the Group entity and as HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rates. In the opinion of directors of the Company, the foreign currency sensitivity does not give additional value in view of insignificant movement in the USD/HK$ exchange rates.

The following table details the Group's sensitivity to a 5% (2011: 5%) increase and decrease in HK$ against RMB. 5% (2011: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% (2011: 5%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss for the year where HK$ strengthen 5% (2011: 5%) against RMB. For a 5% (2011: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the loss for the year and the balances below would be negative.

	RMB impact	
	2012	**2011**
	HK$'000	*HK$'000*
Post-tax profit or loss	1,826	1,656

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank borrowings and obligations under finance leases of HK$259,000 (2011: HK$924,000) and HK$32,000 (2011: HK$930,000) respectively, at fixed rates and such fixed rate assets and liabilities were disclosed in the respective notes.

The Group and the Company is also exposed to cash flow interest rate risk in relation to variable-rate assets and liabilities. It is the Group's and the Company's policy to keep its assets and liabilities at floating rate of interests so as to minimise the fair value interest rate risk.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The Group's exposure to interest rates on financial assets and financial liabilities are detailed below.

Financial instruments with variable interest rate in nature

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Pledged bank deposits	1,161	1,158	–	–
Bank balances and cash	105,643	60,413	–	–
	106,804	61,571	–	–
Financial liabilities				
Bank borrowings	8,570	4,597	–	–

Sensitivity analysis

The sensitivity analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. As at 31 December 2012, if the interest rate of pledged bank deposits, bank balance and cash and bank borrowings had been 100 (2011: 100) basis point higher/lower, the Group's post-tax loss for the year would decrease/increase by approximately HK$820,000 (2011: decrease/increase in loss for the year of approximately HK$476,000).

(iii) Other price risks

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's other price risk is mainly concentrated on equity instruments listed in Hong Kong.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

Sensitivity analysis

If the prices of the respective equity instruments had been 10% (2011: 10%) higher/lower:

- loss for the year ended 31 December 2012 would decrease/increase by approximately HK$113,000 (2011: decrease/increase by approximately HK$132,000) for the Group as a result of the changes in fair value of held-for-trading investments; and

- other comprehensive income (2011: expense) would increase/decrease by approximately HK$2,233,000 (2011: decrease/increase by approximately HK$659,000) for the Group as a result of the changes in fair value of available-for-sale financial assets.

Credit risk

As at 31 December 2012, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group or the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company's statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company reviews the recoverable amount of each individual receivable balance at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the United States of America ("USA"), which accounted for approximately 67% (2011: 99%) of the total trade receivables as at 31 December 2012.

The Group has concentration of credit risk as approximately 67% (2011: 92%) and approximately 97% (2011: 100%) of total trade receivables was due from the Group's largest customer and the five largest customers respectively within the manufacturing and sale of life-like plants segment as at 31 December 2012.

The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note 45.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuation in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank loans with a repayment demand clause are included in the earliest time band regardless of the probability of the bank choosing to exercise their rights. The maturity dates of other financial liabilities are based on the agreed repayment terms.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

The Group

	On demand/within one year	One to two years	More than two years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2012					
Trade payables, other payables and accrued charges	7,306	–	–	7,306	7,306
Obligations under finance leases	9	9	14	32	32
Bank borrowings					
— fixed rate *(Note)*	264	–	–	264	259
— variable rate *(Note)*	8,810	–	–	8,810	8,570
	16,389	9	14	16,412	16,167
At 31 December 2011					
Trade payables, other payables and accrued charges	11,100	–	–	11,100	11,100
Obligations under finance leases	269	269	516	1,054	930
Bank borrowings					
— fixed rate *(Note)*	784	172	–	956	924
— variable rate *(Note)*	4,726	–	–	4,726	4,597
	16,879	441	516	17,836	17,551

Note:

Bank borrowings with a repayment on demand clause are included in the "on demand/within one year" time band in the above maturity analysis. As at 31 December 2012, the aggregate undiscounted principal amounts of these bank loans with a fixed interest rate and variable interest rate amounted to approximately nil (2011: HK$442,000) and HK$8,570,000 (2011: HK$4,597,000) respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be fully repaid nine (2011: ten) years after the end of reporting period in accordance with the scheduled repayment dates set out in the loans agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$9,446,000 (2011: HK$5,730,000).

The Company

	On demand/ within one year	One to two years	More than two years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2012					
Other payables and accrued charges	6,790	–	–	6,790	6,790
Financial guarantee contract *(Note)*	8,810	–	–	8,810	259
	15,600	–	–	15,600	7,049
At 31 December 2011					
Other payables and accrued charges	6,586	–	–	6,586	6,586
Financial guarantee contract *(Note)*	4,726	–	–	4,726	235
	11,312	–	–	11,312	6,821

Note:

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the land and buildings pledged to the counterparty which are guaranteed suffer market value losses.

The amount included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those interest rates determined at the end of the reporting period.

(C) Fair Value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded inactive liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of obligations under finance lease and bank borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated and the Company's financial statements approximate their fair values due to their immediate or short-term maturities.

Fair value measurements recognised in the statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2012				
The Group				
Financial assets at FVTPL				
Listed equity securities	1,133	–	–	1,133
Available-for-sale financial assets				
Listed equity securities	22,332	–	–	22,332
At 31 December 2011				
The Group				
Financial assets at FVTPL				
Listed equity securities	1,320	–	–	1,320
Available-for-sale financial assets				
Listed equity securities	6,586	–	–	6,586

There were no transfers between Level 1, 2 and 3 in the current and prior years.

Significant assumptions used in determining fair value of financial liabilities

Financial guarantee contract

The fair value of financial guarantee contracts is determined using option pricing models where the major assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

7. TURNOVER

An analysis of the Group's turnover for the year is as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Sale of life-like plants	6,840	69,171
Properties rental income	1,720	2,258
Dividend income from held-for-trading investments	–	38
Proceeds from disposal of held-for-trading investments	–	1,377
	8,560	72,844

The direct operating expenses from investment properties that generated rental income amounted to approximately HK$213,000 (2011: HK$159,000) for the year ended 31 December 2012.

8. SEGMENT INFORMATION

The Group's operating segment, based on information reported to the chief operating decision maker, the board of directors, for the purpose of resources allocation and performance assessment are as follows:

(a) The manufacturing and sale of life-like plants segment engaged in manufacturing and sale of life-like plants (including Christmas trees and artificial flowers products) in Hong Kong and the Peoples' Republic of China (the "PRC").

(b) The properties investment engaged in the investment in properties in Hong Kong.

(c) The securities investment engaged in the trading of listed securities in Hong Kong.

Segment Revenue and Results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2012

	Manufacturing and sale of life-like plants *HK$'000*	Properties investment *HK$'000*	Securities investment *HK$'000*	Total *HK$'000*
Turnover	6,840	1,720	–	8,560
Segment revenue	6,840	1,720	–	8,560
Segment (loss) profit	(35,772)	16,082	1,300	(18,390)
Unallocated corporate operating income				99
Unallocated corporate operating expenses				(5,364)
Impairment loss on available-for-sale financial assets				(1,500)
Gain on disposal of available-for-sale financial assets				13,248
Finance costs				(346)
Loss before tax				(12,253)

For the year ended 31 December 2011

	Manufacturing and sale of life-like plants *HK$'000*	Properties investment *HK$'000*	Securities investment *HK$'000*	Total *HK$'000*
Turnover	69,171	2,258	1,415	72,844
Segment revenue	69,171	2,258	38	71,467
Segment (loss) profit	(15,669)	21,366	3,043	8,740
Unallocated corporate operating income				12
Unallocated corporate operating expenses				(5,524)
Impairment loss on available-for-sale financial assets				(11,358)
Loss on derecognition of contingent consideration				(856)
Loss on fair value changes of convertible bonds				(32,706)
Finance costs				(1,900)
Loss before tax				(43,592)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both years.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of certain indirect administration costs, bank interest income, directors' emoluments, finance costs, gain on disposal of available-for-sale financial assets, loss on fair value changes of convertible bonds, loss on derecognition of contingent consideration and impairment loss on available-for-sale financial assets. This is the measure reported to the chief operating decision marker for the purposes of resource allocation and assessment of segment performance.

Segment Assets and Liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	At 31 December 2012 *HK$'000*	At 31 December 2011 *HK$'000*
Segment assets		
Manufacturing and sale of life-like plants	64,724	104,183
Properties investment	92,976	78,301
Securities investment	96,414	45,942
Total segment assets	254,114	228,426
Unallocated corporate assets	34,906	23,774
Consolidated total assets	289,020	252,200

	At 31 December 2012 *HK$'000*	At 31 December 2011 *HK$'000*
Segment liabilities		
Manufacturing and sale of life-like plants	6,389	12,008
Properties investment	165	365
Securities investment	–	25
Total segment liabilities	6,554	12,398
Unallocated corporate liabilities	23,373	22,120
Consolidated total liabilities	29,927	34,518

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than available-for-sale financial assets, certain other receivables, prepayments and deposits, pledged bank deposits and certain bank balances and cash as these assets are managed on a group basis.

- all liabilities are allocated to reportable segments other than certain other payables and accrued charges, deferred tax liabilities, bank borrowings and obligations under finance leases as these liabilities are managed on a group basis.

Other Segment Information

2012

	Manufacturing and sale of life-like plants *HK$'000*	Properties investment *HK$'000*	Securities investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	9,990	816	–	–	10,806
Amortisation of prepaid lease payments	473	–	–	–	473
Depreciation of property, plant and equipment	5,051	47	–	–	5,098
Gain on fair value changes of investment properties	–	(14,734)	–	–	(14,734)
Loss on fair value changes of held-for-trading investments	–	–	187	–	187
Gain on disposal of available for sales financial assets	–	–	–	(13,248)	(13,248)
Gain on disposal of property, plant and equipment	(1,772)	–	–	–	(1,772)
Loss on written off of property, plant and equipment	3,471	–	–	–	3,471
Loss on written off of inventories	6,672	–	–	–	6,672
Impairment loss on available-for-sale financial assets	–	–	–	1,500	1,500
Impairment loss recognised in respect of goodwill	8,582	–	–	–	8,582
Impairment loss recognised in respect of property, plant and equipment	4,036	–	–	–	4,036
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Interest income	–	–	(1,322)	(2)	(1,324)
Finance costs	–	–	–	346	346
Income tax (credit) expenses	(1,401)	42	–	7	(1,352)

2011

	Manufacturing and sale of life-like plants *HK$'000*	Properties investment *HK$'000*	Securities investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	3,051	399	–	–	3,450
Amortisation of prepaid lease payments	473	–	–	–	473
Depreciation of property, plant and equipment	4,179	65	–	–	4,244
Gain on fair value changes of investment properties	–	(19,720)	–	–	(19,720)
Loss on derecognition of contingent consideration	–	–	–	856	856
Impairment loss on available-for-sale financial assets	–	–	–	11,358	11,358
Loss on fair value changes of held-for-trading investments	–	–	1,252	–	1,252
Loss on disposal of held-for-trading investments	–	–	873	–	873
Loss on written off of property, plant and equipment	–	278	–	–	278
Gain on disposal of plant and equipment	(2,073)	–	–	–	(2,073)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Interest income	–	–	(1,639)	(12)	(1,651)
Finance costs	318	–	–	1,582	1,900
Income tax (credit) expenses	(213)	37	–	–	(176)
Loss on fair value changes of convertible bonds	–	–	–	32,706	32,706

Note: Non-current assets excluded those relating to financial instruments.

Geographical Information

The Group's operations are located in Hong Kong (place of domicile) and the PRC.

The Group's revenue from external customers and information about its non-current assets by geographical locations of the assets are detailed below:

	Revenue from external customers		**Non-current assets** *(Note)*	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong (place of domicile)	3,774	8,148	111,607	86,026
PRC	–	–	40,479	68,522
USA	2,625	58,789	–	–
Others	2,161	4,530	–	–
	8,560	71,467	152,086	154,548

Note: Non-current assets excluded those relating to financial instruments.

Information about Major Customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Customer A	2,625	54,383
Customer B	1,077	N/A*

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

All the above revenue was derived from the sale of life-like plants.

9. OTHER REVENUE

	2012	**2011**
	HK$'000	*HK$'000*
Net foreign exchange gain	136	3,083
Gain on disposal of property, plant and equipment	1,772	2,073
Interest income	1,324	1,651
Sundry income	353	370
	3,585	7,177

10. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on:		
Bank and other borrowings wholly repayable within five years	271	259
Finance leases	75	28
Interest on convertible bonds	–	1,582
Interest on bank overdrafts	–	31
	346	1,900

11. INCOME TAX CREDIT

	2012	2011
	HK$'000	*HK$'000*
Under provision in prior years:		
PRC Enterprise Income Tax	10	111
Deferred tax *(Note 34):*		
Current year	(1,362)	(287)
	(1,352)	(176)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong profit tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the two years ended 31 December 2012 and 2011.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

The tax charge for the year can be reconciled to the loss per the consolidated income statement as follow:

	2012	2011
	HK$'000	*HK$'000*
Loss before tax	(12,253)	(43,592)
Tax at the domestic income tax rate at 16.5% (2011: 16.5%)	(2,022)	(7,193)
Tax effect of expenses not deductible for tax purpose	5,654	8,042
Tax effect of income not taxable for tax purpose	(5,091)	(4,495)
Tax effect of tax loss not recognised	1,408	14,485
Tax effect of deductible temporary differences not recognised	145	(212)
Utilisation of tax losses previously not recognised	(10)	(9,331)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,446)	(1,583)
Under provision in prior years	10	111
Income tax credit for the year	(1,352)	(176)

Details of the deferred tax liabilities are set out in Note 34.

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2012	**2011**
	HK$'000	*HK$'000*
Auditor's remuneration	700	814
Staff costs:		
Directors' remuneration *(Note 13)*	2,160	304
Wages, salaries and other benefits (excluding directors)	6,148	15,125
Retirement benefit costs (excluding directors)	386	313
Total staff costs	8,694	15,742
Cost of inventories recognised as an expense	7,127	67,332
Loss on written off of property, plant and equipment *(Note)*	3,471	278
Loss on written off of inventories *(Note)*	6,672	–
Amortisation of prepaid lease payments	473	473
Depreciation of property, plant and equipment	5,098	4,244
Operating lease rental on rented premises	856	879
Net foreign exchange gain	(136)	(3,083)

Note:

Included in other operating expenses in the consolidated income statement for the year ended 31 December 2012 were loss on written off of property, plant and equipment and inventories of approximately HK$3,471,000 (2011: nil) and HK$6,672,000 (2011: nil), respectively. The board of directors resolved to terminate the manufacturing and sale of Christmas trees business included in the manufacturing and sale of life-like plants segment during the year ended 31 December 2012 as a result of the keen competition and decline in the demand for Christmas trees products of the Group. Relevant inventories and property, plant and equipment were obsolete and written off during the year ended 31 December 2012. In the opinion of the directors of the Company, the carrying amount of such assets cannot be recovered through use or disposal.

13. DIRECTORS' EMOLUMENTS

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is stated as follows:

For the year ended 31 December 2012

	Directors' fees	Salaries, allowances and benefits in kind	Retirement benefit costs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Chan Chi Yuen	1,800	–	–	1,800
Yu Pak Yan, Peter	90	–	–	90
Independent non-executive directors:				
Lau Man Tak	90	–	–	90
Man Kwok Leung	90	–	–	90
Wong Yun Kuen	90	–	–	90
	2,160	–	–	2,160

For the year ended 31 December 2011

	Directors' fees	Salaries, allowances and benefits in kind	Retirement benefit costs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Chan Chi Yuen (appointed on 8 December 2011)	4	–	–	4
Tse On Kin (resigned on 30 December 2011)	60	–	–	60
Yu Pak Yan, Peter	60	–	–	60
Independent non-executive directors:				
Lau Man Tak	60	–	–	60
Man Kwok Leung	60	–	–	60
Wong Yun Kuen	60	–	–	60
	304	–	–	304

No emoluments were paid by the Group to any directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office for both years ended 31 December 2012 and 2011.

None of the director waived or agreed to waive any emoluments for both years ended 31 December 2012 and 2011.

There was no chief executive in the Group during the yeas ended 31 December 2012 and 2011.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2011: nil) was director of the Company whose emolument is included in Note 13 above. The emoluments of the remaining four (2011: five) individuals were as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	1,122	2,310
Retirement benefit costs	46	34
	1,168	2,344

The emoluments were all within the following band:

	Number of individuals	
	2012	**2011**
Nil–HK$1,000,000	4	5

For both years ended 31 December 2012 and 2011, no emoluments was paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office.

15. DIVIDEND

No dividend was paid or proposed during 2012, nor has any dividend been proposed since the end of the reporting period (2011: nil).

16. LOSS PER SHARE

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

	2012	**2011**
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	(10,901)	(43,416)

	Number of shares	
	2012	**2011**
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	885,401	718,962

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options and conversion of Company's outstanding warrants since their exercise because the exercise price of those share options and warrants was higher than the average market price for shares for both 2012 and 2011.

17. INVESTMENTS IN SUBSIDIARIES

	The Company 2012	2011
	HK$'000	*HK$'000*
Unlisted shares, at cost	1,247	470
Less: Impairment loss	–	–
	1,247	470

The list below denotes particulars of the subsidiaries which in the opinion of the directors of the Company, principally affect the results, assets and liabilities of the Group as at 31 December 2012 and 2011. To give details of other subsidiaries would in the opinion of the directors of the Company, result in particulars of excessive length. The class of shares held is ordinary unless otherwise stated. As of 31 December 2012 and 2011, the Group had effective interests in the following principal subsidiaries:

			Proportion of ownership interest			
Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Coast Holdings Limited	Hong Kong	100,000 shares of HK$1 each	100%	–	100%	Properties investment
Kingston Property Investment Limited	Hong Kong	20,000 shares of HK$1 each	100%	–	100%	Properties investment
Dongguan United Art Plastic Products Limited *(Note (ii))*	PRC	Paid up capital of HK$49,000,000 (RMB55,066,200)	100%	–	100%	Inactive
LSHK	Hong Kong	600,000 shares of HK$1 each	100% *(Note (i))*	–	100%	Sale of artificial flowers
LSPRC	PRC	Paid up capital of US$250,000	100% *(Note (i))*	–	100%	Manufacturing and sale of artificial flowers
FT Far East Limited *(Note (ii))*	Hong Kong	2 shares of HK$1 each	100%	–	100%	Inactive
FT China Limited	Hong Kong	2 shares of HK$1 each	100%	–	100%	Investment holding
Star Wave Investments Limited	Hong Kong	1 share of HK$1 each	100%	100%	–	Securities investment
Smartrun Investments Limited	BVI	1 share of US$1 each	100%	100%	–	Securities investment

Notes:

(i) The subsidiaries were acquired during the year ended 31 December 2011. Details of the acquisition of subsidiaries are set out in Note 40.

(ii) The subsidiaries were engaged in the manufacturing and sale of Christmas trees during the year ended 31 December 2011 and became inactive during the year ended 31 December 2012.

(iii) None of the subsidiaries had issued any debt securities subsisting at the end of the year or any time during the year.

18. AMOUNTS DUE FROM SUBSIDIARIES

	The Company	
	2012	**2011**
	HK$'000	*HK$'000*
Amounts due from subsidiaries	239,922	191,528
Less: Impairment loss recognised	(24,282)	(19,271)
	215,640	172,257

(a) The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

The operating performance of the subsidiaries was unsatisfactory due to intense competition. In the opinion of the directors of the Company, it is uncertain that sufficient cash flows would be generated by the subsidiaries in the foreseeable future as the subsidiaries suffered financial difficulties and sustained losses. In view of the uncertainty of the recovery of the outstanding balance in those subsidiaries which sustained losses and had poor operating performance and that the subsidiaries were not financially capable of repaying to the Company, the directors of the Company concluded that it is appropriate to make an impairment loss on the amounts due from subsidiaries. As at 31 December 2012, there was accumulated impairment losses of approximately HK$24,282,000 (2011: HK$19,271,000) recognised on the amounts due from subsidiaries. Further details are set out in Note 18(b). The directors of the Company consider that the accumulated impairment losses provided are adequate but not excessive.

(b) Movements of impairment losses recognised in respect of amounts due from subsidiaries are analysed as follows:

	The Company	
	2012	**2011**
	HK$'000	*HK$'000*
At 1 January	19,271	5,392
Impairment loss	5,011	13,879
At 31 December	24,282	19,271

19. INVESTMENT PROPERTIES

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
FAIR VALUE		
At 1 January	77,250	57,160
Additions	816	370
Increase in fair value recognised in profit or loss	14,734	19,720
At 31 December	92,800	77,250

The investment properties of the Group are situated in Hong Kong and held under long-term leases.

The fair value of the Group's investment properties at 31 December 2012 and 2011 have been arrived at on the basis of a valuation carried out on that day by Grant Sherman Appraisal Limited ("Grant Sherman"), an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The Group leases out certain investment properties under operating leases, for an initial period of 1 to 3 years, with an option to renew on renegotiated terms.

All of the Group's property interests held to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

20. PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and Buildings HK$'000	Lease hold Improvement HK$'000	Plant and Machinery HK$'000	Furniture, Fixtures and Equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2011	28,215	7,383	5,787	447	–	41,832
Additions	–	419	53	139	2,469	3,080
Disposals	–	–	(828)	(11)	(373)	(1,212)
Written off	–	(1,282)	–	–	–	(1,282)
Acquired on acquisition of a subsidiary	11,113	1,967	7,631	219	295	21,225
Effect of foreign currency exchange differences	–	–	–	2	–	2
At 31 December 2011	39,328	8,487	12,643	796	2,391	63,645
Additions	8,980	488	17	204	301	9,990
Disposals	(6,267)	–	(331)	–	(922)	(7,520)
Effect of foreign currency exchange differences	–	1	1	1	–	3
Written off	–	–	(4,577)	–	–	(4,577)
At 31 December 2012	42,041	8,976	7,753	1,001	1,770	61,541
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2011	1,684	2,713	1,479	200	–	6,076
Provided for the year	1,132	1,714	1,083	158	157	4,244
Eliminated on disposals	–	–	(313)	(3)	(123)	(439)
Written off	–	(1,004)	–	–	–	(1,004)
At 31 December 2011	2,816	3,423	2,249	355	34	8,877
Provided for the year	1,492	1,968	1,012	215	411	5,098
Impairment recognised for the year	–	–	4,036	–	–	4,036
Eliminated on disposals	(865)	–	(142)	–	(56)	(1,063)
Effect of foreign currency exchange differences	–	–	–	2	–	2
Written off	–	–	(1,106)	–	–	(1,106)
At 31 December 2012	3,443	5,391	6,049	572	389	15,844
CARRYING AMOUNTS						
At 31 December 2012	38,598	3,585	1,704	429	1,381	45,697
At 31 December 2011	36,512	5,064	10,394	441	2,357	54,768

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Land and buildings	Over the shorter of the term of the lease, or 25–50 years
Leasehold improvement	Over the shorter of the term of the lease, or 5 years
Plant and machinery	6.67%–10%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

Certain land and buildings of the Group held under medium-term lease situated in Hong Kong were acquired on 31 May 2011 due to the business acquisition (see Note 40 for details). The fair values of the land and buildings upon the acquisition were estimated with reference to the valuation made by Grant Sherman, an independent qualified professional valuer, on an open market value basis.

The net carrying amounts of furniture, fixtures and equipment and motor vehicle of approximately HK$429,000 (2011: HK$441,000) and HK$1,381,000 (2011: HK$2,357,000) includes an amount of approximately HK$34,000 (2011: HK$44,000) and nil (2011: HK$964,000) in respect of assets held under finance lease respectively.

The Group has pledged land and buildings with a net carrying amount of approximately HK$13,752,000 (2011: HK$10,824,000) to secure general banking facilities (Note 31) granted to the Group.

During the year ended 31 December 2012, the directors of the Company conducted a review on the Group's property, plant and equipment and determined that a number of those assets were impaired. Due to worse business environment during the year ended 31 December 2012, sale order of artificial flowers dropped significantly and the cash flow and profit can be generated from the usage of the assets decreased. Accordingly, impairment losses of HK$4,036,000 (2011: nil) have been recognised, which are used in the manufacturing and sale of artificial flowers. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rates in measuring the amounts of value in use were 15.32% (2011: 15.32%).

The carrying amount of land comprises:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Leasehold land and building in Hong Kong		
Medium lease	13,752	10,824
Leasehold land and building in the PRC		
Medium lease	24,846	25,688
	38,598	36,512

21. PREPAID LEASE PAYMENTS

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current asset	473	473
Non-current asset	13,475	13,948
	13,948	14,421

The prepaid lease payments represent the leasehold land situated in the PRC and held under medium-term leases.

The amortisation charge of approximately HK$473,000 (2011: HK$473,000) for the year are included in administrative expenses in the consolidated income statement.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
List investments:		
— Equity securities listed in Hong Kong, at fair value	22,332	6,586

The available-for-sale financial assets are stated at fair value. The fair value of the listed securities has been determined by reference to published price quotations in active markets. Loss on fair value changes of available-for-sale financial assets of approximately HK$313,000 (2011: loss on approximately HK$21,546,000) has been recognised in other comprehensive income and accumulated in available-for-sale investment revaluation reserve.

During the year ended 31 December 2012, the Group has determined the value of its investment in certain listed securities to be impaired in view of the fair value of the available-for-sale financial assets significantly below its original cost. As a result, impairment loss of approximately HK$1,500,000 (2011: HK$11,358,000) has been recognised in profit or loss for the year.

During the year ended 31 December 2012, the Group disposed of certain listed securities at a consideration of approximately HK$18,960,000 (2011: nil), with a carrying amount of approximately HK$5,712,000 (2011: nil) before the disposal. A gain on disposal of approximately HK$13,248,000 (2011: nil) has been recognised in profit or loss for the year.

23. GOODWILL

	The Group
	HK$'000
Cost	
Arising on acquisition of subsidiaries *(Note 40)*	8,582
At 31 December 2011, 1 January 2012 and 31 December 2012	8,582
Impairment	
At 1 January 2011, 31 December 2011 and 1 January 2012	–
Impairment loss recognised in the year	8,582
At 31 December 2012	8,582
Carrying values	
At 31 December 2012	–
At 31 December 2011	8,582

During the year ended 31 December 2011, the Group acquired 100% equity interests of LSHK and its subsidiary (together as "Lisun Group") with a goodwill of approximately HK$8,582,000. Details are set out in Note 40.

For the purposes of impairment testing, goodwill has been allocated to the Group's cash-generating unit ("CGU") comprising two subsidiaries in the manufacturing and sale of life-like plant operation segment and was fully impaired during the year ended 31 December 2012 (2011: nil).

Impairment Testing on Goodwill

The recoverable amount of CGU was determined on the basis of value-in-use calculation with reference to a valuation performed by Grant Sherman, a qualified valuer not connected with the Group. The calculation uses cash flow projection based on financial budgets approved by management covering a five years (2011: ten years) period and pre-tax discount rate of 15.32% (2011: 15.32%). Cash flow beyond the five years (2011: ten years) period have been extrapolated using a steady 3% (2011: 5%) growth rate. The management determined the budgeted growth rate based on past performance and its expectation on the relevant industry growth forecasts and did not exceed the average long term growth rate for the relevant industry. Based on the forecast and the valuation performed by Grant Sherman, the directors of the Company were of the opinion that the recoverable amount is less than its carrying amount as at 31 December 2012, an impairment of approximately HK$8,582,000 (2011: nil) was recognised accordingly.

24. INVENTORIES

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Raw materials	1,133	9,741
Work in progress	202	734
Finished goods	115	522
	1,450	10,997

25. TRADE RECEIVABLES

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Trade receivables	694	10,515

The Group allows a credit period normally ranging from 0 to 90 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period. The Group does not hold any collateral over these balances.

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
1 to 30 days	681	827
31 to 90 days	6	9,091
91 to 180 days	7	597
	694	10,515

The ageing analysis of trade receivables by due date that is past due but not impaired is as follow:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
1 to 30 days	7	10
31 to 90 days	–	596
91 to 180 days	–	2
	7	608

Receivables that were past due but not impaired related to two customers (2011: a number of customers) that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Receivables of approximately HK$687,000 (2011: HK$9,907,000) that were neither past due nor impaired relate to customers for whom there was no recent history of default.

The Group's trade receivables that are denominated in currency other than the functional currency of the relevant Group entities are as follows:

	The Group	
	2012	**2011**
	'000	*'000*
US$	86	1,343

26. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables	19	2,545	–	–
Prepayments and deposits *(Note i)*	3,029	3,645	211	193
Unsecured loan receivable *(Note ii)*	1,000	–	–	–
	4,048	6,190	211	193

Notes:

(i) As at 31 December 2012, included in the prepayment and deposits is a refundable deposit of HK$1,000,000 (2011: nil) paid for the acquisition of 40% equity interest in an entity incorporated in Hong Kong from an independent third party. The transaction will be completed upon the fulfillment of certain conditions.

The above deposit is refundable and classified as current assets in the consolidated financial statements as at 31 December 2012.

(ii) As at 31 December 2012, the loan receivable granted to an independent third party is unsecured, bears interest at a fixed interest rate at 4% per annum and is repayable on 30 December 2013.

Recoverability of other receivables, prepayments and deposits is assessed on individual basis. At the end of 2012 and 2011, management assesses each of the outstanding balance of other receivables, prepayments and deposits to determine whether impairment loss has been adequately provided for, taking into account their credit position, repayment history and age of the amount owing to the Group.

The Group's other receivables, prepayments and deposits that are denominated in currency other than the functional currency of the relevant Group entities are as follows:

	The Group	
	2012	**2011**
	'000	*'000*
RMB	10	–

27. HELD-FOR-TRADING INVESTMENTS

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Listed investments:		
— Equity securities listed in Hong Kong	1,133	1,320

Held-for-trading investments are stated at fair value. The fair value of the listed securities has been determined by reference to published price quotations in active markets. Loss on fair value changes of held-for-trading investments of approximately HK$187,000 (2011: HK$1,252,000) has been recognised in profit or loss during the year ended 31 December 2012.

During the year ended 31 December 2011, the Group disposed of certain listed securities at a consideration of approximately HK$1,377,000, with a carrying amount of approximately HK$2,250,000 before the disposal. A loss on disposal of approximately HK$873,000 has been recognised in profit or loss for the year. No listed securities were disposed of during the year ended 31 December 2012.

28. PLEDGED BANK DEPOSITS

As at 31 December 2012, bank deposits of HK$1,161,000 (2011: HK$1,158,000), with fixed interest rate at 0.36% (2011: 0.36%) per annum, were pledged to banks for the requirement of the PRC customs authorities respectively and were therefore classified as current assets.

Included in pledged bank deposits are the following amounts denominated in currency other than the functional currency of the relevant Group entities which are subject to foreign exchange control regulations or not freely transferable:

	The Group	
	2012	**2011**
	'000	*'000*
RMB	934	938

29. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates for both years.

Included in bank balances and cash are the following amounts denominated in currency other than the functional currency of the relevant Group entities, and RMB bank balances are subject to foreign exchange control regulations or not freely transferable:

	The Group	
	2012	**2011**
	'000	*'000*
US$	195	356
RMB	35,732	34,708

30. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	58	3,616	–	–
Other payables and accrued charges	13,286	15,367	6,790	6,586
	13,344	18,983	6,790	6,586

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

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
1 to 30 days	58	44
31 to 90 days	–	20
91 to 180 days	–	2,341
181 to 360 days	–	1,211
	58	3,616

The average credit period on purchases of goods is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The Group's trade payables, other payables and accrued charges that are denominated in currencies other than the functional currency of the relevant Group entities are as follows:

	The Group	
	2012	**2011**
	'000	*'000*
US$	–	140
RMB	1,534	3,511

31. BANK BORROWINGS

At 31 December 2012, details of the bank borrowings carried at amortised cost and repayable within 5 years were as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Secured *(Note (i))*	8,570	4,597
Unsecured *(Note (ii))*	259	924
	8,829	5,521
Carrying amount repayable *(Note (iii))*:		
Within one year	2,908	1,080
More than one year, but not exceeding two years	–	168
	2,908	1,248
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	5,921	4,273
	8,829	5,521
Less: Amounts shown under current liabilities	(8,829)	(5,353)
Amounts shown under non-current liabilities	–	168

Notes:

(i) Secured by a mortgage over the Group's land and building (Note 20) and bear variable interest ranging from 1.375% to 2% (2011: 2%) per annum below prime rate or 2.5% (2011: 2.5%) per annum over 1 month Hong Kong Interbank Offered Rate, whichever is lower. The weighted average effective interest rate on the bank borrowing is 2.47% (2011: 2.84%) per annum.

(ii) Unsecured bank borrowings bear fixed interest ranging from 6.75% to 8.95% (2011: 6.75% to 8.95%) per annum. The weighted average effective interest rate on the bank borrowing is 8.18% (2011: 7.90%) per annum.

(iii) The amounts due are based on the scheduled repayment dates set out in the loan agreements.

32. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles and office equipment under finance lease. The average lease term is 3 years (2011: 4 years). Interest rates underlying all obligations under finance leases fixed at respective contract dated are 6.29% to 7.26% per annum as at 31 December 2011. The weighted average effective interest rate on the obligations under finance leases is 6.59% per annum as at 31 December 2011. The obligations under finance leases as at 31 December 2012 were interest-free. These leases had no terms of purchase options and escalation clauses. No arrangements have been entered into for contingent rental payments.

	The Group			
	Minimum lease payment		**Present value of minimum lease payments**	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance lease:				
Within one year	9	269	9	214
In more than one year but not more than two years	9	269	9	230
In more than two years but not more than five years	14	516	14	486
	32	1,054	32	930
Less: future finance charges	–	(124)	N/A	N/A
Present value of lease obligations	32	930	32	930
Less: Amount due for settlement within 12 months (shown under current liabilities)			(9)	(214)
Amount due for settlement after 12 months			23	716

The Group's obligations under finance leases of motor vehicles and office equipment are secured by the lessors' title to the leased assets.

Financial lease obligations are denominated in Hong Kong dollars, functional currency of the relevant Group entity.

33. CONVERTIBLE BONDS

The Group and the Company

	2012	**2011**
	HK$'000	*HK$'000*
Convertible bonds measured at fair value:		
At 1 January	–	7,294
Loss on changes in fair value	–	32,706
Repayment	–	(40,000)
At 31 December	–	–

On 16 December 2008, the Company issued unsecured convertible bonds with principal value of HK$40,000,000 ("CB") upon the completion of the acquisition of FT China Limited and FT Far East Limited. CB bore interests at 4% per annum payable annually in arrear with the first payment to be made on the date falling 12 months from the date of issue and with the maturity date on 16 December 2011.

The principal terms of CB were as follows:

— The holders of the CB were entitled to convert any part of the principal amount into new ordinary shares of the Company at a conversion price of HK$0.10 each (subject to adjustment) at any time within three years from the date of issue of CB. The conversion price of the CB had been adjusted to HK$1.70 with effect from 27 October 2010 after the completion of the open offer of the Company.

— The holder of the CB had the right at any time during the period after end of the twenty months from the date of issue until the maturity date to redeem the whole or part of the principal amount.

— The Company had the right at any time during the conversion period to mandatorily convert the whole or part of the CB into the Company's shares.

As CB contained various embedded derivatives, the directors of the Company determined that the convertible bonds do not contain any equity component and the entire bonds were designated as "financial liabilities at FVTPL" which requires the bonds to be carried at fair value at the end of the reporting period and the changes in fair values were recognised in the consolidated income statement. During the year ended 31 December 2011, a loss on changes in fair value of approximately HK$32,706,000 had been recognised in the consolidated income statement.

On the maturity date at 16 December 2011, the CB had been fully redeemed by the Company.

34. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior years:

	Revaluation of prepaid lease payment	Accelerated tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 January 2011	6,190	376	6,566
Acquisition of a subsidiary *(Note 40)*	–	2,805	2,805
Credit to profit or loss	(204)	(83)	(287)
At 31 December 2011 and 1 January 2012	5,986	3,098	9,084
Credit to profit or loss	(217)	(1,145)	(1,362)
At 31 December 2012	5,769	1,953	7,722

At the end of the reporting period, the Group had unused tax losses of approximately HK$131,048,000 (2011: HK$122,893,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$36,941,000 (2011: HK$36,322,000) that can be carried forward for 5 years from the year in which the respective loss arose. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$1,642,000 (2011: HK$758,000). No deferred tax assets have been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

35. SHARE CAPITAL

The Group and the Company

	Number of shares *'000*	Share capital *HK$'000*
Authorised		
Ordinary shares of HK$0.20 each as at 1 January 2011, 31 December 2011 and 1 January 2012	2,000,000	400,000
Capital reduction during the year *(Note (a))*	–	(380,000)
Increase in authorised capital during the year *(Note (c))*	18,000,000	180,000
Ordinary shares of HK$0.01 each as at 31 December 2012	20,000,000	200,000
Issued and fully paid		
Ordinary shares of HK$0.20 each as at 1 January 2011, 31 December 2011 and 1 January 2012	718,962	143,793
Capital reduction during the year *(Note (b))*	–	(136,603)
Placing of new shares *(Note (d))*	750,000	7,500
Ordinary shares of HK$0.01 each as at 31 December 2012	1,468,962	14,690

Notes:

Pursuant to a special resolution passed at an extraordinary general meeting of the Company on 30 July 2012, the Company effected a capital reorganisation which involved:

(a) The par value of each authorised, issued and fully paid share was reduced from HK$0.20 to HK$0.01 by cancellation of HK$0.19 on each authorised, issued and fully paid share;

(b) The credit of approximately HK$136,603,000 arose as a result of the Capital Reduction was transferred to the share premium account of the Company;

(c) The authorised share capital of the Company was increased from HK$20,000,000 (divided into 2,000,000,000 shares) to HK$200,000,000 (divided into 20,000,000,000 shares) by the creation of an additional 18,000,000,000 ordinary shares of par value of HK$0.01 each which rank pari passu with the existing shares in all respects;

(d) Pursuant to a conditional placing agreement dated 13 June 2012 entered into between the Company and the placing agent, the placing agent agreed to place 750,000,000 new shares of HK$0.01 each at the price of HK$0.07 per placing share. All conditions of the placing agreement have been fulfilled and completion of the placing agreement took place on 12 October 2012.

The proceed of HK$7,500,000 representing the par value, were credited to the Company's share capital. The reminding proceeds of HK$45,000,000, were credited to the share premium account. The new shares rank pari passu with the existing shares in all aspects. Details of the transaction were set out in the Company's announcement dated 12 October 2012.

All the above shares rank pari passu in all aspects with other shares in issue.

36. RESERVES

The Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011	126,958	20	3,000	1,771	(58,944)	72,805
Loss and total comprehensive expense for the year	–	–	–	–	(50,499)	(50,499)
At 31 December 2011 and 1 January 2012	126,958	20	3,000	1,771	(109,443)	22,306
Loss and total comprehensive expense for the year	–	–	–	–	(7,153)	(7,153)
Capital reduction *(Note 35(b))*	136,603	–	–	–	–	136,603
Warrants lapsed during the year *(Note 38)*	–	–	–	(1,771)	1,771	–
Placing of new shares *(Note 35(d))*	45,000	–	–	–	–	45,000
Issuing expenses in relation to share placing	(1,397)	–	–	–	–	(1,397)
As at 31 December 2012	307,164	20	3,000	–	(114,825)	195,359

Nature and Purpose of Reserves

(i) *Share premium and capital redemption reserve*

The application of the share premium account and the capital redemption reserve is governed by sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

The capital redemption reserve represents the amount by which the Company's issued share capital is diminished on cancellation of the shares redeemed or purchased.

(ii) *Share options reserve*

Share options reserve represents the fair value of unexercised share options granted by the Company recognised in accordance with the accounting policy "Share-based Payment Transactions" as stated in Note 3.

(iii) *Warrants reserve*

Warrants reserve represents the fair value of warrants on the date of issue by the Company recognised in accordance with the accounting policy "Financial Instruments" as stated in Note 3.

37. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Share Option Scheme"), was adopted pursuant to a resolution passed on 22 July 2009 for the primary purpose of providing incentives to eligible persons, and will expire on 21 February 2013. Eligible participants of the Share Option Scheme include an employee or a Director of the Company or the Group's holding companies or subsidiaries, adviser, consultant, agent, contractor, customer, supplier or any entity in which the Group or its holding companies or subsidiaries holds any equity interest who has contribution to the Group.

Details and the major terms of the Share Option Scheme are as follows:

(I) Purpose

The purpose of the Share Option Scheme is to enable the Company to grant options to the participants in recognition of their contribution to the Group.

(II) Participants

The directors of the Company may offer to grant an option to any employee or director of the Company or the Group's holding companies or subsidiaries, adviser, consultant, agent, contractor, customer, supplier or any entity in which the Group or its holding companies or subsidiaries holds any equity interest who has contribution to the Group.

(III) Terms of Options

The share options granted under the Share Option Scheme are subject to such terms and conditions as may be determined by the directors of the Company at their absolute discretion and specified in the offer of a share option, which terms and conditions may include (a) vesting conditions which must be satisfied before a share option holder's share option shall become vested and capable of being exercised; and (b) the directors of the Company may, in its absolute discretion, specify performance conditions that must be achieved before a share option can be exercised and/or the minimum period for which a share option must be held before it can be exercised.

(IV) Option Price

The option price will be determined by the directors of the Company at their absolute discretion and notified to an option-holder. The minimum option price shall not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of offer of an option; (b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of an option; and (c) the nominal value of the shares of the Company.

(V) Maximum Number of Shares

(1) 10% Limit

(a) The total number of shares which may be issued upon exercise of all options to be granted must not in aggregate exceed 10% of the aggregate of the shares of the Company in issue as at the date of adoption of the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme and any other scheme will not be counted for the purpose of calculating the 10% limit in this paragraph.

(b) With the approval of the shareholders of the Company in general meeting, the directors of the Company may "refresh" the 10% limit under paragraph (a) (and may further refresh such limit in accordance with this paragraph) provided that the total number of shares of the Company which may be issued upon the exercise of all options to be granted under the limit as "refreshed" shall not exceed 10% of the shares in issue as at the date on which the shareholders approve the "refreshed" limit.

Options previously granted (including those outstanding, cancelled and lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the limit as "refreshed".

(c) Subject to the limits as stated in elsewhere, the directors of the Company may, with the approval of the shareholders, grant options in excess of the 10% limit to participants specifically identified before shareholders' approval is sought. In such situation, the Company will send a circular to the shareholders of the Company containing a generic description of the specified participants who may be granted such options, the number and terms of such options to be granted and the purpose of granting such options to the specified participants with an explanation of how the terms of the options will serve the purpose.

(2) 30% Limit

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not exceed 30% of the shares of the Company in issue from time to time. No options may be granted under the Share Option Scheme if this will result in the limit being exceeded.

(VI) Maximum Entitlement of Each Participant

Subject always to the limits as stated in elsewhere, the directors of the Company shall not grant any options to any participant which, if exercised, would result in such participant becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including those options exercised or outstanding) in any 12-month period exceed 1% of the shares of the Company in issue at such date. The directors of the Company may grant options to any participant in excess of the individual limit of 1% in any 12-month period with the approval of the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

(VII) Time of Exercise of Options

An option under the Share Option Scheme which is vested and has not lapsed may be exercised at any time during such period notified by the directors of the Company as not exceeding 10 years from the date on which a participant is offered such option. The exercise of options may also be subject to any conditions imposed by the directors of the Company at the time of offer.

(VIII) Period of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme, after which period no further options will be granted. The directors of the Company may terminate the Share Option Scheme at any time and in such event no further options shall be granted under the Share Option Scheme but any options which have been granted but not yet exercised shall continue to be valid and exercisable.

At 31 December 2012, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 34,208,382 (2011: 34,208,382), representing 2.33% (2011: 4.76%) of the shares of the Company in issue at that date. No consideration is payable on the grant of an option.

Details of option are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Fair value at grant date
22 February 2010	–	22 February 2010 to 21 February 2013	HK$0.422 per share	HK$0.10 per share

The following table discloses movements of the Company's share options held by an employee and consultants during the year:

Category	Date of grant	Outstanding at 1 January 2012 and 31 December 2012
Employee	22 February 2010	5,095,588
Consultants	22 February 2010	29,112,794
		34,208,382
Exercisable at the end of the year		34,208,382
Weighted average exercise price		HK$0.422

The estimated fair value of the options granted on the above-mentioned date was HK$3,000,000 and recognised in 2010. The Group did not recognised any expense in relation to share options granted by the Company for the year ended 31 December 2012 (2011: nil).

The Black-Scholes option pricing model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

This fair value was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

Grant date	22 February 2010
Exercise price	HK$0.422
Expected volatility	50.55%
Expected life	1.5 years
Risk-free rate	0.445%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1.5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

38. WARRANTS

As set out in the Company's announcement dated 13 December 2010, the Company has issued 95,860,000 warrants to the subscribers of the offer shares conferring the rights to the holders thereof to subscribe in cash for 95,860,000 ordinary shares of the Company of HK$0.01 (2011: HK$0.20) per share at an initial exercise price of HK$0.28 per share at any time during the period from 13 December 2010 to 12 December 2012.

The warrants with subscription price of HK$0.02 per share are recognised in the warrants reserve on initial recognition with a fair value of approximately HK$1,917,000. The transaction cost directly attributable to the issue of the share warrants of approximately HK$146,000 was debited to the warrants reserve.

On 12 October 2012, the Company conducted a placing of its shares. As a result of completion of placing, the exercise price of warrants have been adjusted from HK$0.28 per share to HK$ 0.21 per share.

At 31 December 2011, the Company had outstanding 95,860,000 warrants, the exercise in full of which would result in the issue of 95,860,000 ordinary shares of HK$0.20 each. During the year ended 31 December 2012, no warrants were exercised or cancelled (2011: nil). The share warrants became expired on 12 December 2012 and the warrants reserve of HK$1,771,000 was transferred to accumulated losses during the year ended 31 December 2012.

39. LITIGATION

On 3 November 2003, an action was commenced by Mr. Cheung Yik Wang ("CYW"), who claims himself as an investor of Easternet Limited which owns 46% of Xswim (Holding) Limited ("Xswim Holding") which is a 54% owned subsidiary of the Company, against Mr. Kong Li Szu as 1st defendant, the Company's former director, and the Company as 2nd defendant for recovering a sum of HK11,600,000 together with interest and costs in connection with a cheque issued on 20 December 2002 by the Company to CYW which was dishonoured upon presentation for payment. It was alleged that the cheque was issued by the Company as a guarantee for payment of a cheque issued by Mr. Kong. A defence was filed by the Company on 19 January 2004. CYW also filed a reply to defence on 17 February 2004. Up to the date of approval of these financial statements, this action is still in progress and no hearing date has been fixed.

In the opinion of the directors of the Company, in 2002, Xswim Holding, a non-wholly owned subsidiary of the Company, and its subsidiaries ("Xswim Group") advanced to the Company an aggregate of approximately HK$15,241,000. In 2002, the Company repaid Xswim Group HK$5,600,000 leaving a balance of approximately HK$9,641,000 outstanding (the "Outstanding Balance") and requested CYW to advance HK$2,000,000 (the "Intended Loan") to the Company. As a result, the Company and Mr. Kong respectively issued on 20 December 2002 a cheque with an amount of HK$11,600,000 each payable to CYW as securities for the Outstanding Balance and the Intended Loan, although CYW has never advanced the Intended Loan to the Company. The Company repaid in full the Outstanding Balance to Xswim Group in 2003. Upon the full repayment of the Outstanding Balance in 2003, in the opinion of the directors of the Company, the Company no longer had legal or financial obligations to pay CYW and thus refused to present the cheque previously issued to CYW in 2003. As at 31 December 2012 and 2011, with the advices by the Company's legal adviser, the directors of the Company were of the opinion that the Group has proper and valid defences to the CYW's action and accordingly, no provision for loss had been accounted for in these financial statements.

40. ACQUISITION OF A SUBSIDIARY

On 31 May 2011, the Group acquired 100% equity interest of Lisun Plastic Factory Limited and its subsidiary (together as "Lisun Group") at a total consideration of HK$20,000,000. Lisun Group is engaged in manufacturing and sale of artificial flowers and was acquired to provide an opportunity for the Group to diversify its products and expand its customer base. The acquisition has been accounted for using acquisition method. The amount of goodwill arising as a result of the acquisition was approximately HK$8,582,000.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Fair value at 31 May 2011 *HK$'000*
Net assets acquired	
Property, plant and equipment	21,225
Inventories	3,017
Trade and other receivables	3,490
Amount due from a related company	756
Pledged bank deposits	103
Bank balances and cash	472
Bank overdraft	(2,796)
Trade payables, other payables and accrued charges	(2,873)
Amount due to a related company	(3,807)
Obligations under finance leases	(293)
Bank and mortgage loan	(5,927)
Deferred tax liabilities	(2,805)
Net identifiable assets and liabilities	10,562
Arising on acquisition:	
Goodwill *(Note 23)*	8,582
Contingent consideration	856
Total consideration for acquisition	20,000
Analysis of net outflow of cash and cash equivalents in respect of the acquisition of Lisun Group:	
Cash consideration paid	20,000
Less: Bank balances and cash acquired	(472)
Add: Bank overdraft acquired	2,796
Net cash outflow in respect of the acquisition of the subsidiary	22,324

Pursuant to the terms of the sale and purchase agreement, Reach Billion Limited (the "Vendor") and Ms. Chu (the "Guarantor") undertake to Smart Future Investments Limited, a subsidiary of the Company (the "Purchaser") that the audited net profit before interest, tax, depreciation and amortisation of Lisun Group for the year ended 31 December 2011 (the "2011 Net Profit") shall not be less than HK$2 million (the "Profit Guarantee"). In the event that the 2011 Net Profit is less than the amount of Profit Guarantee, the Vendor and the Guarantor are required to pay the shortfall of the Profit Guarantee multiply by six to the Purchaser. The maximum liability of the Vendor in respect of the Profit Guarantee shortfall shall not exceed HK$12 million.

The fair value of such contingent arrangement amounted to approximately HK$856,000 at the date of acquisition is presented separately on the consolidated statement of financial position. The fair value was determined with reference to the valuation by an independent qualified professional valuer, Kovas Magni Appraisal Limited. Changes in variables and assumptions may result in changes in the fair value.

As the contingent arrangement contains various embedded derivatives, the directors of the Company determined that the contingent arrangement be designated as "financial assets at FVTPL" which shall be carried at fair value at end of the reporting period. During the year ended 31 December 2011, the carrying amount of the contingent consideration of approximately HK$856,000 was charged to the consolidated income statement as a result of the fact that the Profit Guarantee was met.

Since its acquisition by the Group, the Lisun Group contributed approximately HK$8,747,000 and a profit of approximately HK$600,000 to the Group's turnover and loss for the year ended 31 December 2011 respectively.

Had the acquisition of the Lisun Group been completed on 1 January 2011, total Group's turnover for the year would have been approximately HK$75,197,000, and the Group's loss for the year would have been approximately HK$44,064,000.

Goodwill arose on acquisition of the Lisun Group represents the control premium.

No goodwill arising on this acquisition is expected to be deductible for tax purposes.

41. DEREGISTRATION OF SUBSIDIARY

During the year ended 31 December 2011, the Group deregistered the entire equity interests of a subsidiary, Elite Corner Limited. The subsidiary was inactive during the year ended 31 December 2011.

42. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,250 (1 June 2012 onwards) (31 December 2011: HK$1,000) per month for each employee.

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Group contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 December 2012, the total retirement benefit cost charged to the consolidated income statement amounted to approximately HK$386,000 (2011: HK$313,000).

43. RELATED PARTY TRANSACTIONS

(a) The balances with the subsidiaries and the respective terms are disclosed in Note 18.

(b) Compensation of directors of the Company and key management personnel.

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

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Short-term benefits	2,681	718
Post-employment benefits	14	12
	2,695	730

The remuneration of directors of the Company and key management is determined by the remuneration committee having regards to the performance of individuals and market trends.

44. COMMITMENTS

(A) Capital Commitment

Capital commitment outstanding at 31 December 2012 and 2011 authorised or contracted but not provided for in the financial statements were as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Authorised and contracted for		
— acquisition of plant and equipment	1,026	99

There was no capital commitment outstanding as 31 December 2012 and 2011 not provided for in the Company's financial statements.

(B) Lease Commitment

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non- cancellable operating leases which fall due as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Within one year	616	174
In the second to fifth years inclusive	1,071	–
	1,687	174

Operating lease payments as at 31 December 2012 represented rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of 1 year with fixed monthly rentals. The operating lease contracts contained market review clauses in the event that the Group exercises its option to renew. The Group did not have an option to purchase the leased asset at the expiry of the lease period.

The Company as lessee

The Company did not have any commitment for future minimum lease payments under non-cancellable operating leases as 31 December 2012 and 2011.

The Group as lessor

Property rental income earned during the year was approximately HK$1,720,000 (2011: HK$2,258,000). The properties are expected to generate rental yields of 1.85% (2011: 2.92%) on an ongoing basis. The properties held have committed tenants for the next year.

Motor vehicle rental income earned during the year was approximately HK$138,000 (2011: HK$23,000). The motor vehicle is expected to generate rental yields of 20.81% (2011: 3.56%) on an ongoing basis. The motor vehicle held has committed tenants for the next 2 years.

At the end of the reporting period, the Group had contracted with tenants for the following non-cancellable future minimum lease payments:

	2012 *HK$'000*	2011 *HK$'000*
Within one year	489	2,120
In the second to fifth years inclusive	115	2,189
	604	4,309

The Company as lessor

The Company did not contract with tenants for any non-cancellable future minimum lease payments as at 31 December 2012 and 2011.

45. FINANCIAL GUARANTEE CONTRACT

The Company had issued a guarantee to a bank in respect of banking facilities of HK$9,200,000 to LSHK on 18 July 2011. The banking facilities were renewed on 4 May 2012, the Company had issued another guarantee to bank in respect of renewed banking facilities of approximately HK$11,425,000 on the same day.

LSHK is an entity covered by a guarantee arrangement issued by the Company to a bank in respect of banking facilities granted to LSHK which remains in force so long as the subsidiary has drawn down under the banking facilities. Under the guarantee, the Company is a party to the guarantee for all borrowings of subsidiary from the bank which is the beneficiary of the guarantee.

As at 31 December 2012, the directors of the Company do not consider it probable that a claim will be made against the Company under any of the guarantee. The maximum liability of the Company at the end of the reporting period under the guarantee issued is the outstanding amount of the facility drawn down by LSHK of approximately HK$8,570,000 (2011: HK$4,597,000). Fair value of the financial guarantee as at 4 May 2012, the inception date, amounted to approximately HK$777,000 (18 July 2011: HK$470,000) was arrived at on the basis of a valuation carried out by Grant Sherman, an independent qualified professional valuer not connected with the Group. During the year ended 31 December 2012, an amortisation on financial guarantee of approximately HK$753,000 (2011: HK$235,000) has been recognised in the Company's income statement.

The carrying amount of the financial guarantee issued by the Company as at 31 December 2012 was approximately HK$259,000 (2011: HK$235,000).

46. MAJOR NON-CASH TRANSACTION

On 24 February 2012, the Group, entered into the property sale agreement with certain joint vendors (the "Vendors"), pursuant to which the Group transferred the ownership of property ("Property I") to the Vendors and the Vendors transferred the ownership of another property ("Property II") to the Group. Upon completion, the Group became the owner of Property II and the Vendors became the owner of Property I. A gain of HK$1,698,000 from the sales of property was recognised in consolidated income statement during the year ended 31 December 2012.

Details of transactions were set out in the Company's announcements dated 24 February 2012 and 25 May 2012.

4. INDEBTEDNESS STATEMENT

At the close of business on 31 May 2014, being the most recent practicable date, the Group had outstanding unsecured borrowings of approximately HK$8,658,200, comprising secured bank loans of approximately HK$5,642,565, unsecured bank overdraft of HK$829,004 finance lease payables of HK$1,310,897 and other unsecured loan of HK$875,734.

The loans were secured by the Group's buildings and prepaid land lease payments, and all finance lease payables were secured by the lessor's title to the leased assets.

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 May 2014 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

5. MATERIAL CHANGE

The Directors confirm that, save as and except for the below, there had been no material change in the financial position or trading position or outlook of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Group was made up, to and including the Latest Practicable Date:

(i) although the overall financial position of the Group did not have any material change since the latest published audited financial statements of the Group was made up and up to the Latest Practicable Date, segment-wise, due to the unsatisfied economic environment in Europe, which is one of the target markets of the Group's life-like plants business, for the six months ended 30 June 2014, the unaudited sales of this segment was inevitably decreased approximately 34% as compared with the corresponding period in 2013 (the "**Corresponding Period 2013**");

(ii) for the properties rental business of the Group, as the properties of the Group were fully leased during the six months ended 30 June 2014, the turnover of this segment has recorded an increase of over 200% as compared to the Corresponding Period 2013;

(iii) during the six months ended 30 June 2014, the Group has sold all of its securities investment and the bank and cash balance of the Group increased accordingly;

(iv) as disclosed in the announcement of the Company dated 30 April 2014 and under the paragraph headed "Reason for the Subscription and Use of Proceeds" under the section headed "Letter from the Board" of the Circular, on 30 April 2014, the Company acquired the entire equity interests in a project company engaging in the development of a 10 mega-watts photovoltaic power station in Inner Mongolia. Subject to completion, the estimated investment cost for acquisition and the development of the 10 mega-watts photovoltaic power station is approximately RMB85 million (or approximately HK$106.25 million), which is expected to be partially financed by the net proceeds from the Subscription. On this basis, it is expected that the prospect of the Group in connection with its business scope will be more diversified; and

(v) as disclosed in the announcement of the Company dated 7 July 2014 and under the paragraph headed "Reason for the Subscription and Use of Proceeds" under the section headed "Letter from the Board" of the Circular, on 7 July 2014, the Group acquired the entire equity interest in 榆林市比亞迪新能源有限公司 (for identification purposes only, Yulin City BYD New Energy Co., Ltd.), a project company engaged in the development of a 300 mega-watts photovoltaic power station in Shaanxi Province, the PRC. Subject to completion, the estimated investment cost for the acquisition and the development of the 300 mega-watts photovoltaic power station is approximately RMB2,700 million (or approximately HK$3,375 million), which is expected to be partially financed by the net proceeds from the Subscription. On this basis, it is expected that the prospect of the Group in connection with its business scope will be more diversified.

The following is the text of letter, summary of valuation and valuation certificates, prepared for the purpose of incorporation in this circular, received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with their valuation as at 31 May 2014 of the property interest held by the Group in Hong Kong and the People's Republic of China.

GRANT SHERMAN

Room 1005 on 10/F
AXA Centre
151 Gloucester Road
Wanchai
Hong Kong

11 July 2014

The Directors
Kong Sun Holdings Limited
Room 905, 9/F, Wings Building
110-116 Queen's Road Central
Hong Kong

Dear Sirs/Madams,

In accordance with your instructions to value the property interests held by Kong Sun Holdings Limited (the "Company") or its subsidiaries (hereinafter together referred to as the "Group") located in Hong Kong and the People's Republic of China (the PRC), we confirm that we have carried out inspections and made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of such property interests as at 31 May 2014 (the "Valuation Date") for the purpose of incorporation into the circular issued by the Company on the date hereof.

Our valuation of the property interests is our opinion of the market value which we would define as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Market value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the property interests, we have complied with The HKIS Valuation Standards on Properties (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS), the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission.

In valuing the property interests nos. 1 to 5 in Group I, which are properties held by the Group in Hong Kong, we have adopted the direct comparison approach and made reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc. between the comparable properties and the subject properties.

In valuing the property no. 6 in Group II which is property held by the Group in the PRC, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the lands respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price in Dongguan City and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparables sales. The approach is subject to adequate potential profitability of the business.

The valuations have been made on the assumption that the owner sells the property interests on the market in their existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect their values.

No allowance has been made in our valuations for any charge, mortgage or amount owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property interests, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term as granted and is entitled to transfer the properties with the residual term without payment of any further premium to the government authorities or any third parties.

We have caused land searches at the Land Registry for Hong Kong properties. However, we have not scrutinised the original title documents. We have been provided with copies of extracts of title documents relating to the property located in PRC. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest in the PRC, we have relied on the legal opinion ("the PRC legal opinion") provided by the Group's PRC legal adviser, GFE Law Office.

In valuing the property interests which are situated in Hong Kong and held under the government leases which will be expired before 30th June 2047, we have taken into account of the statement contained in the Annex III of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases would have been extended without payment of premium until 30th June 2047 and that an annual rent of three percent of the rateable values of the properties would be charged from the date of extension.

In the course of our valuation, we have relied on a considerable extent on information provided by the Group on such matters as statutory notices, easements, tenure, occupation, floor areas, identification of the property and all other relevant matters. We have had no reason to doubt the truth and accuracy of the information provided to us by the Companies which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information supplied. All documents have been used as reference only. All dimensions, measurements and areas are approximations only. No on-site measurements have been taken.

We have inspected the exteriors and, where possible, the interiors of the properties in respect of which we have been provided with such information as we have required for the purpose of our valuations. No structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structures which were covered, unexposed or inaccessible. We are therefore, unable to report that the properties are free of rot, infestation or any structural defects. No tests have been carried out on any of the building services.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the property in the PRC include: (i) PRC business tax (equivalent to 5% of sales revenue), (ii) PRC land appreciation tax (equivalent to 30% to 60% of the net appreciation amount) and (iii) PRC corporate income tax (25%). It is unlikely that such tax liabilities will be crystallised in the recent future as the Group has no intention to dispose of or transfer the relevant property interests. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liabilities. Except for applicable stamp duties in Hong Kong, the potential gain arising from the sales of the properties in Hong Kong shall be capital in nature and not subject to any taxation.

Unless otherwise stated, all property values are denominated in Hong Kong Dollars. The exchange rate used in our valuation as at 31 May 2014 is HK$1 to Renmini(RMB)0.7956. There has been no significant fluctuation in the exchange rate for RMB against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith our summary of valuation together with the valuation certificates.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Lawrence Chan Ka Wah
MRICS MHKIS RPS (GP) MHIREA
Director
Real Estate Group

Note: Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and Registered Professional Surveyors in the General Practice Section, who has over 10 years experience in the valuation of properties in Hong Kong, Macau, Taiwan, the PRC and the Asian Rim.

SUMMARY OF VALUATION

Group I – Property interests held by the Group in Hong Kong for investment purpose

	Property	Market value in existing state as at 31 May 2014
1.	Whole of 9th floor, Wings Building, 110-116 Queen's Road Central, 53-61 Stanley Street, Hong Kong	HK$46,100,000
2.	Whole of 10th floor, Wings Building, 110-116 Queen's Road Central, 53-61 Stanley Street, Hong Kong	HK$46,100,000
3.	Workshop No. 5 on 4th floor, Fullagar Industrial Building, No. 234 Aberdeen Main Road, Hong Kong	HK$5,200,000
4.	Flat C on 9th floor, Cheong Wah Factory Building, Nos. 39-41 Sheung Heung Road, No. 60 Cheung Ning Street, Kowloon, Hong Kong	HK$11,200,000
5.	Flat B on 9th floor, Cheong Wah Factory Building, Nos. 39-41 Sheung Heung Road, No. 60 Cheung Ning Street, Kowloon, Hong Kong	HK$12,200,000
	Sub-Total	**HK$120,800,000**

SUMMARY OF VALUATION

Group II – Property interests held by the Group in the PRC for self-occupation purpose

	Property	Market value in existing state as at 31 May 2014
6.	A parcel of land together with buildings and structures erected thereon located at Zhenkou Village, Humen Town, Dongguan City, Guangdong Province, the PRC	RMB36,800,000 (Equivalent to approximately HK$46,300,000)
	Grand-total	**HK$167,100,000**

VALUATION CERTIFICATE

Group II – Property interests held by the Group in Hong Kong

	Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 31 May 2014
1.	Whole of 9th floor, Wings Building, 110-116 Queen's Road Central, 53-61 Stanley Street, Hong Kong 21/908th equal and undivided share of and in Inland Lot Nos. 6159, 6160, 6165, 6166, 6168, the Remaining Portions of Inland Lot Nos. 6161, 6162 and Sub-Section 2 of Section A of Inland Lot No. 43	The property comprises the whole office floor on the 9th floor of a 20-storey commercial building plus a level of basement built in about 1981. The total gross floor area of the property is approximately 3,393 sq.ft.. The property is held under government leases for a term of 999 years commencing on 26 June 1843.	As at the Valuation Date, units 901, 902 and 903 of the property with a total gross floor area of approximately 1,451 sq.ft. were vacant. Units 904 and 906 of the property with a total gross floor area of approximately 1,414 sq.ft. were subject to two tenancy agreements. *(see notes (ii) to (iii))* These two units were occupied by the tenants for office use. Unit 905 of the property with a gross floor area of approximately 528 sq.ft. was occupied by the Group for office use.	HK$46,100,000

Notes:

i) The registered owner of the property is Coast Holdings Limited, a subsidiary of the Company, vide Memorials Nos. UB7333102 dated 16 October 1997.

ii) Unit 904 of the property was subject to a tenancy agreement dated 30 August 2013 for a term of 1 year commencing from 1 September 2013 to 31 August 2014. The monthly rental was HK$28,000 inclusive of government rent, rates and management fee.

iii) Unit 906 of the property was subject to a tenancy agreement dated 1 June 2013 for a term of 1 year commencing from 1 June 2013 to 31 May 2014. The monthly rental was HK$17,000 inclusive of government rent, rates and management fee, but exclusive of water, electricity, gas, telephone and other outgoings. The tenancy of Unit 906 of the property is further renewed for a year from 1 June 2014 to 31 May 2015 at a monthly rent of HK$17,000 inclusive of government rent, rates and management fee, but exclusive of water, electricity, gas, telephone and other outgoings.

iv) Pursuant to the Approved Sai Ying Pun and Sheung Wan Outline Zoning Plan (Plan No.: S/H3/29), the area where the property situated is zoned as "Commercial.

v) As advised by the Company, Coast Holdings Limited is an indirect wholly-owned subsidiary of the Company.

vi) The property was inspected by our Ms Flora Chan (BSc) on 4 July 2014. Upon our inspection, the external condition of the property was reasonable.

vii) The property is located at Queen's Road Central. The vicinity is mainly comprised of high-rise office buildings. The property is accessible via bus and MTR and is within 6 minutes walking distance to Central MTR Station. According to the statistics from the Rating and Valuation Department, the average yield of similar property in Hong Kong is about 3.0%.

viii) As confirmed by the Company, the tenants of the property are independent third parties, which are not connected with and are independent of, any of the directors, or any of their respective associates of the Group.

VALUATION CERTIFICATE

	Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 31 May 2014
2.	Whole of 10th floor, Wings Building, 110-116 Queen's Road Central, 53-61 Stanley Street, Hong Kong 21/908th equal and undivided share of and in Inland Lot Nos. 6159, 6160, 6165, 6166, 6168, the Remaining Portions of Inland Lot Nos. 6161, 6162 and Sub-Section 2 of Section A of Inland Lot No. 43	The property comprises the whole floor on the 10th floor of a 20-storey commercial building plus a level of basement built in about 1981. The total gross floor area of the property is approximately 3,393 sq.ft.. The property is held under government leases for a term of 999 years commencing on 26 June 1843.	As at the Valuation Date, the property was subject to a tenancy agreement for a term of 3 years commencing from 8 July 2013 to 7 July 2016. *(see notes (ii))* The property was occupied by the tenant for office use.	HK$46,100,000

Notes:

i) The registered owner of the property is Kingston Property Investment Limited, a subsidiary of the Company, vide Memorial No. UB6105518 dated 6 August 1994.

ii) The property was subject to a tenancy agreement dated 8 July 2013 for a term of 3 years commencing from 8 July 2013 to 7 July 2016. A rent free period of 2 months from 8 July 2013 to 7 August 2013 and 8 July 2014 to 7 August 2014 applies. The monthly rental is HK$118,790 exclusive of government rent, rates and management fee.

iii) Pursuant to the Approved Sai Ying Pun & Sheung Wan Outline Zoning Plan (Plan No.: S/H3/29), the area where the property situated is zoned as "Commercial".

iv) As advised by the Company, Kingston Property Investment Limited is an indirect wholly-owned subsidiary of the Company.

v) The property was inspected by our Ms Flora Chan (BSc) on 4 July 2014. Upon our inspection, the external condition of the property was reasonable.

vi) The property is located at Queen's Road Central. The vicinity is mainly comprised of high-rise office buildings. The property is accessible via bus and MTR and is within 6 minutes walking distance to Central MTR Station. According to the statistics from the Rating and Valuation Department, the average yield of similar property in Hong Kong is about 3.0%.

vii) As confirmed by the Company, the tenant of the property is independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.

VALUATION CERTIFICATE

	Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 31 May 2014
3.	Workshop No. 5 on 4th floor, Fullagar Industrial Building, No. 234 Aberdeen Main Road, Hong Kong 15/3,243rd equal and undivided share of and in Aberdeen Inland Lot No. 305	The property comprises a workshop unit on the 4th floor of a 26-storey industrial building built in about 1986. The gross floor area of the property is approximately 1,402 sq.ft.. The property is held under government leases for a term of 999 years commencing on 26 December 1860.	As at the Valuation Date, the property was subject to a tenancy agreement for a term of 3 years commencing from 1 June 2013 to 31 May 2016. *(see note (ii))* The property was occupied by the tenant for office and ancillary uses.	HK$5,200,000

Notes:

i) The registered owner of the property is Kingston Property Investment Limited, a subsidiary of the Company, vide Memorial No. UB7369749 dated 29 November 1997.

ii) The property was subject to a tenancy agreement dated 1 June 2013for a term of 3 years commencing from 1 June 2013 to 31 May 2016. The monthly rental was HK$10,000 inclusive of government rent, rates, but exclusive of management fee, water, electricity, gas, telephone and other outgoings.

iii) Pursuant to the Approved Aberdeen & Ap Lei Chau Outline Zoning Plan (Plan No.: S/H15/29), the area where the property situated is zoned as "Residential (Group E)".

iv) As advised by the Company, Kingston Property Investment Limited is an indirect wholly-owned subsidiary of the Company.

v) The property was inspected by our Ms Flora Chan (BSc) on 4 July 2014. Upon our inspection, the external condition of the property was reasonable.

vi) The property is located at Aberdeen Main Road. The vicinity is mainly comprised of high-rise residential and industrial buildings. The property is accessible via bus and minibus. According to the statistics from the Rating and Valuation Department, the average yield of similar property in Hong Kong is about 2.8%.

vii) As confirmed by the Company, the tenant of the property is independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.

VALUATION CERTIFICATE

	Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 31 May 2014
4.	Flat C on 9th floor, Cheong Wah Factory Building, Nos. 39-41 Sheung Heung Road, No. 60 Cheung Ning Street, Kowloon, Hong Kong 1/48th equal and undivided share of and in Kowloon Inland Lot No. 7980	The property comprises a workshop unit on the 9th floor of an 11-storey industrial building built in about 1963. The saleable floor area of the property is approximately 2,907 sq.ft.. The property is held under Conditions of Sale No. 6523 UB 6523 for a term of 75 years renewable 75 years commencing on 24 October 1960.	As at the Valuation Date, the property was subject to a tenancy agreement for a term of 2 years commencing from 1 July 2013 to 30 June 2015. *(see note (iii))* The property was occupied by the tenant for office and ancillary uses.	HK$11,200,000

Notes:

i) The registered owner of the property is Lisun Plastic Factory Limited, a subsidiary of the Company, vide Memorial No. 12062201430025 dated 25 May 2012.

ii) The property is subject to a legal charge in favor of Citic Bank International Limited; vide Memorial No. 12062201430039 dated 25 May 2012.

iii) The property, together with property no. 5 were subject to a tenancy agreement dated 1 July 2013 for a term of 2 years commencing from 1 July 2013 to 30 June 2015. The monthly rental was HK$55,000 inclusive of government rent, rates and management fee.

iv) Pursuant to the Approved Ma Tau Kok Outline Zoning Plan (Plan No.: S/K10/20), the area where the property situated is zoned as "Residential (Group E)".

v) As advised by the Company, Lisun Plastic Factory Limited is an indirect wholly-owned subsidiary of the Company.

vi) The property was inspected by our Ms Flora Chan (BSc) on 3 July 2014. Upon our inspection, the external condition of the property was reasonable.

vii) The property is located at Johnston Road. The vicinity is mainly comprised of medium-rise residential and industrial buildings. The property is accessible via bus and minibus. The property is accessible via bus and minibus. According to the statistics from the Rating and Valuation Department, the average yield of similar property in Hong Kong is about 2.8%.

viii) As confirmed by the Company, the tenant of the property is independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.

VALUATION CERTIFICATE

	Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 31 May 2014
5.	Flat B on 9th floor, Cheong Wah Factory Building, Nos. 39-41 Sheung Heung Road, No. 60 Cheung Ning Street, Kowloon, Hong Kong 1/48th equal and undivided share of and in Kowloon Inland Lot No. 7980	The property comprises a workshop unit on the 9th floor of an 11-storey industrial building built in about 1963. The saleable floor area of the property is approximately 3,175 sq.ft.. The property is held under Conditions of Sale No. 6523 UB 6523 for a term of 75 years renewable 75 years commencing on 24 October 1960.	As at the Valuation Date, the property was subject to a tenancy agreement for a term of 2 years commencing from 1 July 2013 to 30 June 2015. *(see note (iii))* The property was occupied by the tenant for office and ancillary uses.	HK$12,200,000

Notes:

i) The registered owner of the property is Lisun Plastic Factory Limited, a subsidiary of the Company, vide Memorial No. UB6060050 dated 24 May 1994.

ii) The property is subject to a legal charge in favor of Citic Bank International Limited, vide Memorial No. 11092800650044 dated 31 August 2011.

iii) The property, together with property no. 4 were subject to a tenancy agreement dated 1 July 2013 for a term of 2 years commencing from 1 July 2013 to 30 June 2015. The monthly rental was HK$55,000 inclusive of government rent, rates and management fee.

iv) Pursuant to the Approved Ma Tau Kok Outline Zoning Plan (Plan No.: S/K10/20), the area where the property situated is zoned as "Residential (Group E).

v) As advised by the Company, Lisun Plastic Factory Limited is an indirect wholly-owned subsidiary of the Company.

vi) The property was inspected by our Ms Flora Chan (BSc) on 3 July 2014. Upon our inspection, the external condition of the property was reasonable.

vii) The property is located at Johnston Road. The vicinity is mainly comprised of medium-rise residential and industrial buildings. The property is accessible via bus and minibus. The Development is accessible via bus and minibus. According to the statistics from the Rating and Valuation Department, the average yield of similar property in Hong Kong is about 2.8%.

viii) As confirmed by the Company, the tenant of the property is independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.

VALUATION CERTIFICATE

Group II – Property interest held by the Group in the PRC for self-occupation purpose

	Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 31 May 2014
6.	A parcel of land together with buildings and structures erected thereon located at Zhenkou Village, Humen Town, Dongguan City, Guangdong Province, The PRC	The property comprises of a parcel of land having a site area of approximately 13,724.3 sq.m. together with a 5-storey dormitory building, two 4-storey factory buildings and ancillary structures completed in between 1993 and 1995. The total gross floor area of the property is approximately 35,793.82 sq.m.. The land use rights of the property were granted for industrial use for a term of 50 years expiring on 30 June 2042.	As advised by the Company, the property was occupied by the Group for industrial use as at the Valuation Date.	RMB36,800,000 (equivalent to approximately HK$46,300,000)

Notes:

i) Pursuant to a State-owned Land Use Certificate (Document No.: Dong Fu Guo Yong (1996) Zi Di Te No. 285) dated 2 August 2001, the land use rights of the property having a total site area of approximately 13,724.3 sq.m. were granted to FT China Limited, an indirect wholly-owned subsidiary of the Company, for industrial use for a term expiring on 30 June 2042.

ii) According to a Building Ownership Certificate (Document No.: Yue Fang Zi Di No. 0118143), the ownership of a building of the property with a total gross floor area of approximately 21,253.16 sq.m. is vested in FT China Limited.

iii) According to a Building Ownership Certificate (Document No.: Yue Fang Zi Di No. 0118144), the ownership of a building of the property with a total gross floor area of approximately 7,249.76 sq.m. is vested in FT China Limited.

iv) According to a Real Estate Ownership Certificate (Document No.: Yue Fang Di Zheng Zi Di No. C3334923), the ownership of a building of the property with a total gross floor area of about 7,290.9 sq.m. is vested in FT China Limited.

v) As advised by the Company, FT China Limited is an indirect wholly-owned subsidiary of the Company.

vi) The property was inspected by our Mr Lawrence Chan (MRICS MHKSI RPS (GP) MHIREA) on 4 July 2014. Upon our inspection, the external condition of the property was reasonable.

vii) The property is situated in Zhenkou Village of Humen Town. The area where the property situated is an industrial district, various low-rise village houses were built in the locality. The property is about 15-minute driving distance to Humen Station. The property is accessible by bus and taxi

viii) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, GFE Law Office, which contains, inter alia, the following information

(a) FT China Limited is the current registered owner of the property, which is entitled to occupy, transfer, lease and mortgage the property; and

(b) The property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the property.

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 Company. 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 any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Concert Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Concert Group) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of the Investor jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL, OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES

(a) Share capital

Set out below is the issued share capital of the Company as at the Latest Practicable Date and upon Completion:

Issued and fully paid or credited as fully paid:

1,762,662,519	Shares	HK$17,626,625.19

Upon Completion and the issue of the Subscription Shares:

8,290,742,519	Shares	HK$82,907,425.19

All the issued Shares rank pari passu with each other in all respects including the rights in respect of capital, dividend and voting. No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange.

No Shares have been issued since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.

(b) Options, warrants and convertible securities

As at the Latest Practicable Date, the Company had no other outstanding debt securities, options, warrants or conversion rights affecting the Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

3. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests in the Company

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company and their respective associates had or was deemed to have any interests in the long or short positions in the Shares, underlying shares and debentures or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any associated corporation (within the meaning of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "**Model Code**") adopted by the Company, to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders and other persons' interests in Shares and underlying shares

As at the Latest Practicable Date, the Company has no shareholder which is interested in 5% or more of the issued share capital or any relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) of the Company.

Pursuant to the Agreement and in compliance with Part XV of the SFO, the following persons have notified to the Company of their respective interest in the shares of the Company which have been recorded in the register required to be kept by the Company under Section 336 of the SFO. These interests are the interests in the Subscription Shares and are subject to the Completion.

Name	**Capacity**	**Total interests in long position of Shares/underlying shares**	**Approximately percentage of the Company's issued share capital**
Pohua JT Capital Partners Limited *(Note 1)*	Beneficial owner	5,835,820,000	70.39%
Pohua JT Private Equity Fund L.P. *(Note 1)*	Interest of a controlling shareholder *(Note 2)*	5,835,820,000	70.39%
Xiang Jun *(Note 1)*	Beneficial owner	676,020,000	8.15%

Notes:

1. By virtue of the SFO, it is deemed to be interested in such Shares and will only be holders of such Shares and be entitled to vote upon Completion.

2. Pohua JT Private Equity Fund L.P. is wholly-owned by Pohua JT Capital Partners Limited, therefore, is deemed to be interested in such Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company are not aware of any other persons (other than the Directors and the chief executive of the Company) who had, or was deemed to have, an interest and/or short position in the Shares or underlying shares of the Company which is required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept under Section 336 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 the Company or any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date:

(a) none of the Directors had entered or proposed to enter into a service contract with the Company or any of its subsidiaries or associated companies which is not determinable by the Company within one year without payment of compensation, other than statutory compensation;

(b) none of the Directors had entered into or amended any service contracts (including both continuous and fixed term contracts) with the Company or any of its subsidiaries or any of its associated companies within six months before the date of the Announcement;

(c) none of the Directors had any continuous service contracts with the Company or any of its subsidiaries or associated companies with a notice period of 12 months or more; and

(d) none of the Directors had any fixed term service contracts with the Company or any of its subsidiaries or associated companies with more than 12 months to run irrespective of the notice period.

5. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor his associates is and was interested in any business which competes or may compete, either directly or indirectly, with the business of the Group.

6. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2013 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

7. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

8. NO MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

9. QUALIFICATION AND CONSENT OF EXPERTS

The following are the names and qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Platinum Securities Company Limited	A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Grant Sherman Appraisal Limited	Independent property valuer

As at the Latest Practicable Date, each of the experts named above was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Group were made up.

Each of the experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which they respectively appear.

10. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

(a) As at the Latest Practicable Date, save for the Subscription, none of the members of the Concert Group held any securities, options, warrants, convertible securities and derivatives of the Company or had dealt in the securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period.

(b) No Shares acquired by the Concert Group pursuant to the Subscription will be transferred, charged or pledged to any other persons.

(c) Save for the Agreement entered into by the Investor, the directors of Pohua JT Capital Partners Limited, which manage the investment decisions of the Investor, are not interested in any securities, options, warrants, convertible securitie's and derivatives of the Company and they had not dealt for value in any securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period.

(d) As at the Latest Practicable Date, no person had irrevocably committed themselves to vote for or against the resolution to be proposed at the EGM to approve the Subscription and/or the Whitewash Waiver.

(e) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Concert Group and any other person.

(f) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Concert Group and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription and/or the Whitewash Waiver.

(g) As at the Latest Practicable Date, there were no agreements or arrangements to which any member of the Concert Group is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Subscription and the consequences of its doing so, including details of any break fees payable as a result.

(h) As at the Latest Practicable Date, the Company did not have any interest in the securities, options, warrants, convertible securities and derivatives of the Investor and had no dealings in the securities, options, warrants, convertible securities and derivatives of the Investor during the Relevant Period.

(i) As at the Latest Practicable Date, none of the Company or the Directors had any interest in the securities, options, warrants, convertible securities and derivatives of the Investor.

(j) None of the Directors had dealt for value in the securities, options, warrants, convertible securities and derivatives of the Company or the Investor during the Relevant Period.

(k) As at the Latest Practicable Date, none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of any of its subsidiaries; nor (iii) any adviser to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code), had any interest in the securities, options, warrants, convertible securities and derivatives of the Company and/or had dealt in the securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period.

(l) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(m) As at the Latest Practicable Date, no securities, options, warrants, convertible securities and derivatives of the Company were managed on a discretionary basis by any fund managers connected with the Company, nor did any such fund managers deal in any securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period.

(n) As at the Latest Practicable Date and during the Relevant Period, no securities, options, warrants, convertible securities and derivatives of the Company had been borrowed or lent by any of the Directors or by the Company or by any member of the Concert Group.

(o) As at the Latest Practicable Date, there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Subscription and/or the Whitewash Waiver or otherwise connected with the Subscription and/or the Whitewash Waiver.

(p) As at the Latest Practicable Date, no benefit had been given or will be given to any Directors as compensation for loss of office or otherwise in connection with the Subscription and/or the Whitewash Waiver.

(q) As at the Latest Practicable Date, there was no material contract entered into by any member of the Concert Group in which any Director had a material personal interest.

(r) As at the Latest Practical Date, none of the Directors beneficially held any Shares and accordingly, none of the them will be entitled to vote to accept or reject the Subscription and/or the Whitewash Waiver.

11. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) have been entered into by members of the Group after the date two years immediately preceding the date of the Announcement and up to the Latest Practicable Date and are or may be material:

(a) the conditional placing agreement dated 6 September 2013 entered into between the Company and Kingston Securities Limited, as the placing agent, in relation to the placing of 293,700,000 Shares (the "**Placing Shares**") at a price of HK$0.086 per Placing Share;

(b) the loan agreement dated 16 October 2013 entered into between Kong Sun Finance Limited, an indirect wholly-owned subsidiary of the Company, as lender (the "**Kong Sun**") and a borrower which is a company incorporated in the BVI with limited liability (the "**Borrower**"), whereby Kong Sun agreed to lend to the Borrower a loan in the principal amount of HK$10,000,000 for a period of six months from the date of drawdown at an interest rate of 7% per annum;

(c) the loan agreement dated 28 March 2014 entered into between Kong Sun Finance Limited, an indirect wholly-owned subsidiary of the Company, as lender (the "**Kong Sun**") and a borrower who is an independent third party (the "**Borrower**"), whereby Kong Sun agreed to lend to the Borrower a loan in the principal amount of HK$20,000,000 for a period of three months from the date of drawdown at an interest rate of 9% per annum;

(d) the memorandum of understanding dated 29 March 2014 (the "**MOU**") entered into between the Company and Pohua JT Private Equity Fund L.P., as investor (the "**Investor**"), whereby the Investor proposed to subscribe such number of Shares and/or convertible securities of the Company representing not less than 25% of the issued share capital of the Company as enlarged by the issue and/or conversion at a price of not more than HK$0.36 per Share;

(e) the non-binding memorandum of understanding dated 22 April 2014 entered into between the Company, the sellers which are independent third parties (the "**Sellers**"), and 埃菲生(玉門)太陽能發電有限責任公司 (Aifeisheng (Yumen) Solar Power Co., Ltd.*) (the "**Target Company**"), whereby the Company agreed to acquire from the Sellers all the equity interests in the Target Company;

(f) the cooperation agreement dated 29 April 2014 entered into between the Company, 張淑蘭 (Zhang Shu Lan) (the "**Shareholder**"), and 石家莊萬迪能源科技有限公司 (Shijiazhuang Wandi Energy Technology Co Ltd*), and an intermediary agreement with the Shareholder, in relation a proposed acquisition of 50 MW photovoltaic power station in 臨城縣 (Lincheng county) in Hebei province;

(g) the framework agreement dated 30 April 2014 entered into between the Company and 合肥聚能新能源科技有限公司 (Hefei Juneng New Energy Technology Co., Ltd.*), whereby the parties agreed to cooperate in the joint development of photovoltaic power stations in Anhui and Yunnan provinces with aggregate capacity of 261 MW;

(h) the agreement dated 30 April 2014 entered into between, among others, the Company, and the existing shareholders of a project company (the "**Project Company**") which are independent third parties, whereby the Company agreed to acquire the entire equity interests in the Project Company from the existing shareholders of the Project Company for RMB570,000;

(i) the agreement dated 7 July 2014 entered into between the Company, 江山新能源投資(揚州)有限公司 (Kong Sun New Energy Investment (Yangzhou) Co., Ltd.), a wholly-owned subsidiary of the Company, BYD Auto Industry Co., Ltd. and 榆林市比亞迪新能源有限公司 (Yulin City BYD New Energy Co., Ltd.), pursuant to which Kong Sun New Energy Investment (Yangzhou) Co., Ltd. agreed to acquire from BYD Auto Industry Co., Ltd. the entire equity interest in Yulin City BYD New Energy Co., Ltd., a project company engaged in the development of a 300 MW photovoltaic power station in Shaanxi Province, the PRC, for RMB204,000,000; and

(j) the Agreement.

* for identification purpose only

12. MARKET PRICE

The table below shows the closing prices of the Shares on the Stock Exchange (i) at the end of each of the six calendar months immediately preceding the date of the Announcement and ending on the Latest Practicable Date (ii) on 28 May 2014 (being the last trading day immediately preceding the date of the Announcement) and (iii) on the Latest Practicable Date:

	Closing price per Share *HK$*
30 September 2013	0.148
31 October 2013	0.180
30 November 2013	0.180
31 December 2013	0.175
30 January 2014	0.175
28 February 2014	0.250
31 March 2014	0.480
30 April 2014	0.720
28 May 2014 (being the last trading day immediately preceding the date of the Announcement)	0.890
30 May 2014	Suspended
30 June 2014	1.210
Latest Practicable Date	1.320

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$0.166 on 21 January 2014 and 4 February 2014 and HK$1.420 on 7 July 2014 respectively.

13. MISCELLANEOUS

(a) The registered office and the correspondence address of the Investor are c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and Room 3608-3609, 36/F., The Center, 99 Queen's Road Central, Hong Kong respectively.

(b) The addresses of the Consultants are as follows:

Mr. Chang Donglai	Zheng Fu Si 10, Haidian District, Beijing, the PRC
Mr. Luo Tiegeng	13/F Jin Fan Tower, Furong Middle Road 524, Changsha, Hunan Province, the PRC
Mr. Lu Bin	4/F, Block B, Chuang Xiang International Tower, Nanhu Dong Lu 372, Shumogou District, Urumqi, Xinjiang Province, the PRC
Mr. Deng Chengli	13/F Jin Fan Tower, Furong Middle Road 524, Changsha, Hunan Province, the PRC
Mr. Xiang Jun	Zheng Fu Si 10, Haidian District, Beijing, the PRC

(c) The Investor is a private equity fund established in the Cayman Islands and has no directors. As at the Latest Practicable Date, the Investor was managed by Pohua JT Capital Partners Limited and the directors of which are Mr. Li Haifeng, Mr. Liu Jinsong and Ms. Zhong Yueyang. Pohua JT Capital Partners Limited is held as to 32% by Mr. Liu Jinsong with the balance of the equity interest in Pohua JT Capital Partners Limited held by four other minority shareholders. Mr. Liu Jinsong ultimately controls Pohua JT Capital Partners Limited.

(d) The registered office and principal place of business of the Company in Hong Kong is at Unit 905, 9th Floor, Wings Building, Nos. 110–116 Queen's Road Central, Central, Hong Kong.

(e) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center 183 Queen's Road East, Hong Kong.

(f) The secretary of the Company is Mr. Chong Yuk Fai ("**Mr. Chong**"). Mr. Chong holds a bachelor degree in Accounting and Finance from the University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants.

(g) The registered office of the Independent Financial Adviser is at 21/F, LHT Tower, 31 Queen's Road Central, Hong Kong.

(h) The registered office of Shinewing (HK) CPA Limited, the auditors of the Company, is at 43rd Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong.

(i) The English text of this circular and the accompany form of proxy shall prevail over their respective Chinese texts for the purpose of interpretation.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m. on any weekday (except for Saturday and public holidays) at the registered office and principal place of business of the Company in Hong Kong at Unit 905, 9/F, Wings Building, 110-116 Queen's Road Central, Hong Kong, (ii) on the website of the Company (www.kongsun-hldgs.com), and (iii) on the website of the SFC (www.sfc.hk), from the date of this circular up to and including the date of the EGM:

(a) the articles of association of the Company;

(b) the memorandum and articles of association of the Investor;

(c) the annual reports of the Company for each of the two years ended 31 December 2013;

(d) the property valuation report as set out in Appendix II in the circular;

(e) the letter from the Board, the text of which is set out in this circular;

(f) the letter from the Independent Board Committee, the text of which is set out in this circular;

(g) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

(h) the material contracts as referred to in the paragraph headed "Material contracts" in this appendix;

(i) the written consents referred to in the paragraph headed "Qualification and consent of expert" in this appendix;

(j) the Agreement; and

(k) this circular.

KongSun 江山

KONG SUN HOLDINGS LIMITED

江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**EGM**") of Kong Sun Holdings Limited (the "**Company**") will be held at 11:00 a.m. on 28 July 2014 at 37/F, Cosco Tower, 183 Queen's Road Central, Hong Kong for the following purpose of considering and, if thought fit, passing with or without amendment, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the agreement (the "**Agreement**") entered into between the Company and Pohua JT Private Equity Fund L.P. (the "**Investor**") dated 28 May 2014 pursuant to which the Investor agreed to subscribe and procure the subscription of 6,528,080,000 new shares of the Company (the "**Subscription Shares**") at a total consideration of HK$2,350,108,000 (the principal terms of which are set out in the circular of the Company dated 11 July 2014 (the "**Circular**"), and a copy of which having been produced to this meeting and marked "**A**" and initialled by the chairman of this meeting for the purpose of identification), and the transactions contemplated thereby be and are hereby approved, confirmed and ratified;

(b) the allotment and issue of the Subscription Shares to the Investor and the Consultants (as defined in the Circular) pursuant to the terms of the Agreement be and are hereby approved; and

(c) any one or more directors of the Company be and are hereby authorised to allot and issue the Subscription Shares in accordance with the terms of the Agreement and to do all such acts and things as they consider necessary or expedient for the purpose of giving effect to the Agreement and completing the transactions contemplated thereby."

2. "**THAT**, subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any delegate of the Executive Director), the waiver of the obligation on the part of the Concert Group (as defined in the circular of the Company dated 11 July 2014 (the "**Circular**"), of which this notice forms part) to make a mandatory general offer to the shareholders of the Company for all the issued shares of the Company not already owned or agreed to be acquired by it which might otherwise arise as a result of the Concert Group (as defined in the Circular) subscribing for the Subscription Shares (as defined in the Circular) under the Agreement (as defined in the Circular) pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Whitewash Waiver**") be and is hereby approved.''

Yours faithfully
By the order of the Board
KONG SUN HOLDINGS LIMITED
Mr. Yu Pak Yan, Peter
Chairman

Hong Kong, 11 July 2014

Registered office and Principal Place of
Business in Hong Kong:
Unit 905, 9th Floor
Wings Building
110-116 Queen's Road Central
Hong Kong

Notes:

1. Every member of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy (if a member who is holder of two or more shares) to attend and vote for him/her on his/her behalf of the meeting.

2. A form of proxy for use at the meeting is enclosed. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof.

3. Completion and return of the form of proxy will not preclude members from attending and voting in person at the extraordinary general meeting or any adjourned meeting thereof.