Global Energy Resources International Group Limited

(continued in Bermuda with limited liability)

Stock Code: 8192

2012 ANNUAL REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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This report, for which the directors (the "Directors") of Global Energy Resources International Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM 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 report 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 report misleading.

Contents

Group Financial Summary

	Year ended 31 December				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000 (restated)	**2012** **HK$'000**
RESULTS					
Turnover	1,193	14,553	4,796	25,385	**9,662**
Loss before taxation	(7,174)	(9,352)	(17,896)	(19,766)	**(20,188)**
Taxation	51	43	(25)	(342)	**(71)**
Loss for the year	(7,123)	(9,309)	(17,921)	(20,108)	**(20,259)**

	At 31 December				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	18,548	16,349	59,157	54,300	**36,394**
Total liabilities	(3,273)	(10,371)	(17,254)	(20,005)	**(16,400)**
Net assets	15,275	5,978	41,903	34,295	**19,994**

Corporate Information

EXECUTIVE DIRECTORS

Mr. Zhang Shi Min *(Chief Executive Officer)*
Mr. Qie Bing Bing *(Chief Investment Officer)*
Mr. Li Shan Jie *(resigned on 22 November 2012)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wah
Mr. Fung Hoi Wing, Henry
Mr. Cheung Chung Leung, Richard
(resigned on 19 March 2013)
Mr. Gao Jin Lu *(appointed on 19 March 2013)*

COMPANY SECRETARY

Ms. Li Shan Mui, HKICPA, FCCA and CTA

COMPLIANCE OFFICER

Mr. Zhang Shi Min

AUDIT COMMITTEE

Mr. Leung Wah *(Chairman)*
Mr. Fung Hoi Wing, Henry
Mr. Cheung Chung Leung, Richard
(resigned on 19 March 2013)
Mr. Gao Jin Lu *(appointed on 19 March 2013)*

NOMINATION COMMITTEE

Mr. Leung Wah *(Chairman)*
Mr. Zhang Shi Min
Mr. Fung Hoi Wing, Henry
Mr. Cheung Chung Leung, Richard
(resigned on 19 March 2013)
Mr. Gao Jin Lu *(appointed on 19 March 2013)*

REMUNERATION COMMITTEE

Mr. Leung Wah *(Chairman)*
Mr. Zhang Shi Min
Mr. Fung Hoi Wing, Henry
Mr. Cheung Chung Leung, Richard
(resigned on 19 March 2013)
Mr. Gao Jin Lu *(appointed on 19 March 2013)*

CORPORATE GOVERNANCE COMMITTEE

Mr. Leung Wah *(Chairman)*
Mr. Qie Bing Bing
Mr. Fung Hoi Wing, Henry
Mr. Cheung Chung Leung, Richard
(resigned on 19 March 2013)
Mr. Gao Jin Lu *(appointed on 19 March 2013)*

AUTHORISED REPRESENTATIVES

Ms. Li Shan Mui, HKICPA, FCCA and CTA
Mr. Zhang Shi Min

AUDITORS

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants
31/F., Gloucester Tower
The Landmark, 11 Pedder Street
Central
Hong Kong

LEGAL ADVISER TO THE COMPANY

As to Bermuda law
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2803, 28th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

COMPANY HOMEPAGE

www.8192.com.hk

GEM STOCK CODE

8192

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "Board" or the "Directors") of Global Energy Resources International Group Limited (the "Company"), I herein present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

BUSINESS AND FINANCIAL OVERVIEW

During the year, the Group's continuing operation turnover and loss attributable to owners of the Company were approximately HK$9,662,000 (2011: HK$25,385,000) and approximately HK$19,371,000 (2011: HK$19,953,000) respectively, which represent decrease of approximately 61.9% and 2.9% in turnover and loss attributable to owners of the Company respectively as compared with the previous corresponding year. This was mainly due to the economic slowdown in China and the market was full of uncertainties. Many competitors launched price war to clear inventory which further intensified the competition in air-conditioner market. As a result, the operating environment become increasingly difficult in the year.

During the fourth quarter of the financial year, the market condition and demand for evaporative air-conditioners continued the slowdown in the third quarter. Domestic and international economic environment has not yet fully recovered on a macro level, and combined with the fact that the fourth quarter being an off-season for air-conditioners which demand from end-customers was quite limited affected our sales. From a micro level, the Company also faced price war launched by many small-size factories in Jiangsu and Zhejiang provinces for clearing inventory.

In respect of new products, the Company's evaporative type condensers air-conditioners and newly introduced evaporation air-conditioner for commercial use have been well-recognized by customer and the feedback among the market was positive during the fourth quarter of the year. The Company will focus on promoting these products for the forthcoming year. Our subsidiary, Shenzhen Shun Tian Yun Environmental Technology Limited ("Shun Tian Yun") has been awarded by Shenzhen Technology Innovation Committee as one of the national high-tech enterprises in November 2012.

Chairman's Statement

PROSPECTS

It is anticipated that our industry and other pillar industries shall recover in accordance with the overall economic environment for the forthcoming year. Some industries mainly supported by the Chinese government will generate new demand for industrial goods including our products, for example, to install air-conditioner in the textile production workshops of enterprises. The situation and measures are conducive to the Company's marketing and sales recovery. Meanwhile, the Company's new products, evaporative type condensers air-conditioner and newly introduced evaporative commercial air conditioners will be our marketing focus.

Looking ahead, the Group will continue to focus on its business in China because we believe that mainland China will benefit from its ongoing economic development. The management of the Company still has an optimistic outlook for the sales of environmentally friendly air-conditioners.

The Group will continue to adopt strict cost control policies in managing our operations and enhance our strengths. The Group will not only continue to improve its existing business but also keep seeking opportunities to invest in the energy and resources businesses with a view to bringing in improved returns and providing greater value to our shareholders.

On behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, customers and business partners for their continued support in the challenging economic environment. We undertake to increase value in every way we can for our customers and shareholders. My thanks also go to the Board members, management and all of our staff for their dedication and hard work.

Zhang Shi Min
Chief Executive Officer and Executive Director

Hong Kong, 19 March 2013

Management Discussion and Analysis

GENERAL

The Group is principally engaged in the manufacturing and sales of environmentally friendly air-conditioners and related products, and the provision of information technology and engineering consultancy services.

FINANCIAL REVIEW

Results

During the year under review, the Group recorded a continuing operation turnover of approximately HK$9,662,000 (2011: approximately HK$25,385,000), representing decrease of approximately 61.9% in turnover as compared with previous year. The decrease in turnover was attributable to the economic slow down in China. Loss attributable to owners of the Company for the year ended 31 December 2012 amounted to approximately HK$19,371,000 (2011: approximately HK$19,953,000), representing a decrease of approximately 2.9% as compared with previous year. The decrease in the loss attributable to owners of the Company was mainly due to decrease in selling and distribution, and administrative expenses. However, there were significant impairment loses, among others, made to the Goodwill, approximately HK$5,395,000.

Liquidity, financial resources and capital structure

As at 31 December 2012, the Group had assets of approximately HK$36,394,000 (2011: approximately HK$54,300,000), including net cash and bank balances of approximately HK$1,292,000 (2011: approximately HK$8,944,000). There was no charge on the Group's assets as at 31 December 2012 (2011: the Group's trade receivables of approximately HK$4,862,000 was pledged as collateral for the Group's bank borrowing).

During the year under review, the Group financed its operations with internally generated cash flow, the Shareholder Loan (as defined below) and the balance of the net proceeds from the Placing (as defined below).

Placing of 1,000,000,000 non-listed warrants

On 10 May 2012, the Company successfully placed 1,000,000,000 non-listed warrants at the placing price of HK$0.005 per warrant (the "Warrants") and of which conferring rights to subscribe for 1,000,000,000 new shares of the Company at the exercise price of HK$0.15 per Share (subject to the adjustment) (the "Placing"). The new shares of the Company will be allotted and issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 9 May 2011. As at the date of this report, no Warrants have been exercised by any registered warrant holders of the Company.

The aforesaid exercise price and number of consolidated shares issuable under the Warrants have been adjusted to HK$1.5 per consolidated share and 100,000,000 consolidated shares as a result of the share consolidation of the Company. Details of the Share Consolidation (as defined below) and the adjustments to the Warrants are set out in the circular of the Company dated 21 January 2013.

Capital structure

Save as disclosed below, there was no change in the capital structure of the Company for the year ended 31 December 2012. During the year under review, the Company did not issue any new Shares (2011: Nil).

The Company implemented the share consolidation (the "Share Consolidation") on the basis that every ten (10) issued and unissued Shares of HK$0.0005 each in the share capital of the Company be consolidated into one (1) consolidated share of HK$0.005 each and the effective date of the Share Consolidation was 7 February 2013.

Gearing

During the year under review, the outstanding bank borrowing brought forward from last year which was a short term revolving loan at floating rates has been settled (31 December 2011: RMB4,987,000 (approximately HK$6,044,000)) and as at 31 December 2012, there was not any bank loan facilities. As at 31 December 2012, the Group had an outstanding loan of HK$5,628,000 due to the controlling and substantial shareholder of the Company, Sound Treasure Holdings Limited, which is unsecured, interest-free and repayable on demand (the "Shareholder Loan") (31 December 2011: HK$2,000,000). The gearing ratio of the Group, defined as the ratio between net debt and total equity attributable to owners of the Company, was approximately 102.3% for the year ended 31 December 2012 (31 December 2011: approximately 1.5%).

Details of the Group's gearing ratio are set out in note 38 to the financial statement.

Segment information

During the year under review, the Group's reportable segments are "Manufacturing and sales of environmentally friendly air-conditioners and related products" and "Provision of information technology and engineering consultancy services". Analysis of the Group's revenue and results, as well as analysis of the carrying amount of segment assets and liabilities, and capital expenditures by geographical market have been presented.

Details of the Group's segment information are set out in note 5 to the financial statement.

SIGNIFICANT INVESTMENTS

Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies

Save as disclosed below, the Company did not have any material acquisitions or disposal of subsidiaries and affiliated companies during the year.

On 18 May 2012, the Company issued a voluntary announcement concerning its disposal (the "Disposal") of a wholly owned subsidiary (and its subsidiary) of the Company, which is principally engaged in the provision of ventilation systems solution for buildings in the PRC which forms part of the Group's information technology and engineering consultancy services effective the same date. Details of the Disposal are set out in the Company's announcement dated 18 May 2012 and in note 33 to the financial statement.

Contingent liabilities

As at 31 December 2012, the Group had no material contingent liabilities.

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce its exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Foreign exchange exposure

The Group's income and expenditure during the year ended 31 December 2012 were denominated either in Hong Kong dollars ("HK$") or Renminbi ("RMB"), and most of the assets and liabilities as at 31 December 2012 were denominated either in HK$ or RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the year under review.

Future plans for material investments

In addition to the continual improvement of the operating performance of the existing business, the Group is actively looking for new investment opportunities in the energy and resources business with a view to bringing in improved returns and providing greater value to the shareholder.

Employees and remuneration policies

As at 31 December 2012, the Group had 82 (2011: 80) full-time employees in Hong Kong and the PRC. Total staff costs (including Directors' remuneration) were approximately HK$5,581,000 for the year ended 31 December 2012 (2011: approximately HK$7,816,000). Remuneration is determined with reference to market terms, employment conditions, responsibilities and the performance, qualification and experience of individual employee. Other benefits include Corporate Liabilities Insurance for the Directors and Officers, contributions to the statutory mandatory provident fund scheme for its employees in Hong Kong and social insurance for its employees in the PRC, and are paid at appropriate levels.

Directors and Senior Management Profiles

EXECUTIVE DIRECTORS

Mr. Zhang Shi Min, aged 55, is the Chief Executive Officer, an executive Director, member of the nomination committee and remuneration committee of the Board, and a director in number of subsidiaries of the Group. Mr. Zhang has extensive experience in corporate operating management and risk management. Mr. Zhang graduated from Faculty of Humanities and Social Science* (人文社會科學系) of Hunan University with a Bachelor of Management Studies* (行政管理學學位). In addition, he was part of the senior management of Shenzhen Kang Wo Dian Qi Ji Shu Co., Limited* (深圳康沃電氣技術有限公司) and an executive director and the financial controller of Xi An Chun Ri Wang Luo Neng Yuan Co., Ltd.* (西安春日網絡能源有限公司).

Mr. Qie Bing Bing, aged 28, is the Chief Investment Officer, an executive Director, a member of the corporate governance committee of the Board, and a director in number of subsidiaries of the Group. Alongside with his years of experience in enterprise management and capital operation, Mr. Qie is also well-versed with the management, operation, exploration and exploitation in the field of mineral resources, petroleum and liquid petrol gas. When Mr. Qie worked for Bosch Rexroth Electric Drives and Controls (Shenzhen) Co., Ltd., he had participated in the overall market development in mainland China, as well as overseeing the merger and acquisition activities in the scope of electric drives and control in China. Mr. Qie graduated from China Central Radio and TV University* (中央廣播電視大學) with certificate in Business Administration* (工商管理畢業證書). Mr. Qie was a sales director of Bosch Rexroth Electric Drives and Controls (Shenzhen) Co., Ltd.* (博世力士樂電子傳動與控制(深圳)有限公司) in East China and an investment director of Shenzhen Careall Capital Investment Co., Ltd.* (深圳市康沃資本創業投資有限公司).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wah, aged 48, is an independent non-executive Director, and the chairman of the audit committee, remuneration committee, nomination committee and corporate governance committee of the Board. He is a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants. He graduated from the University of Hong Kong with a Bachelor of Science degree. Mr. Leung has extensive experience in finance and accounting including working experience in international accounting firms, including Ernst & Young and Deloitte Touche Tohmatsu. Mr. Leung has resigned as the chief financial officer of AUPU Group Holding Company Limited on 31 August 2012, the share of which is listed on the Main Board of the Stock Exchange.

Mr. Fung Hoi Wing, Henry, aged 57, is an independent non-executive Director, and a member of the audit committee, nomination committee, remuneration committee and corporate governance committee of the Board. He is a Notary Public and Solicitor of Messrs. Alvan Liu & Partners, Solicitors of Hong Kong. He is also a China-Appointed Attesting Officer. He graduated from the University of Hong Kong with a Bachelor of Social Sciences degree. Mr. Fung was an independent non-executive director and a member of the audit committee of Merdeka Resources Holdings Limited, the share of which is listed on the GEM Board of the Stock Exchange.

Mr. Cheung Chung Leung, Richard, aged 59, has resigned as an independent non-executive Director, and a member of the audit committee, nomination committee, remuneration committee and corporate governance committee of the Board with effect from 19 March 2013. He has over 30 years of experience as an architect and real estate investment advisor. He graduated from the University of Hong Kong with degrees of Bachelor of Arts (Architectural Studies) and Bachelor in Architecture. He possesses the People's Republic of China Class 1 Registered Architects Qualification and is a member of the Hong Kong Institute of Architects. He is also a Registered Architect pursuant to the Architects Registration Ordinance (Chapter 408 of the Laws of Hong Kong). Mr. Cheung was an independent non-executive director of Talent Property Group Limited, the share of which is listed on the Main Board of the Stock Exchange.

* *The English transliteration of the Chinese name(s), where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).*

Mr. Gao Jin Lu, age 48, was appointed as an independent non-executive Director, and a member of the audit committee, nomination committee, remuneration committee and corporate governance committee of the Board, effective 19 March 2013. He has over 28 years of experience as a geologist specialising in exploration of mineral ores. He graduated from Guilin Institute of Metallurgical Geology* (桂林冶金地質學院) (currently known as Guilin University of Technology (桂林理工大學)) with a degree in geology specialising in mineral prospecting and exploration. He attained the professional qualification of a senior engineer in 2001. He is currently the vice-president of the Tianjin North China Geological Exploration General Institute (天津華北地質勘查總院副院長) and the general manager of Tianjin Wuhua Mining Investment Limited* (天津物華礦業投資有限公司總經理).

SENIOR MANAGEMENT

Ms. Wei Zhe Min, aged 53, is the asset management director of the Group and a director in two subsidiaries of the Company. Ms. Wei graduated from Guandong Zhongshan University* (廣東中山大學) with certificate in Business Administration for In-service Manager* (在職經理工商管理課程結業證書). Ms. Wei had been appointed as senior management when she worked in a sizable Stated-owned Enterprise, a Sino-foreign Joint Venture Technology Group Company, an Investment Management Company and professional firms. She had participated and organized in many projects of operating in investment management, and she is familiar with operating in capital market management, and tax law and regulations in China. She had professional skills and practicing experience in operation of capital market, finance management, companies merge and restructure, operating strategy, risk management, etc.

Ms. Qie Miao Miao, aged 31, is the Chief Administrator of the Group. Ms. Qie has worked for several international investment firms. She has extensive experiences in investment, Project Management, Marketing, Equity Merger, etc. She graduated from Renmin University of China* (中國人民大學) with a degree of bachelor in finance. Ms. Qie is sister of Mr. Qie Bing Bing, executive Director.

COMPANY SECRETARY

Ms. Li Shan Mui, Janice, aged 39, is the company secretary of the Company. Ms. Li has over 10 years of experience in audit, accounting, budgeting, financial analysis, administration, etc. She had even worked for many international firms. Ms. Li graduated from University of Hertfordshire, United Kingdom with a degree of Bachelor of Arts in accounting. Ms. Li is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, a member of The Taxation Institute of Hong Kong and Certified Tax Adviser, Hong Kong.

* *The English transliteration of the Chinese name(s), where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).*

Directors' Report

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

SEGMENT INFORMATION

The analysis of the business and geographical segments of the operations of the Group are set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 and the state of affairs of the Group and the Company at that date, are set out in the financial statements on pages 24 to 26.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 29 to the financial statements.

RESERVES

Details of the movements in reserves of the Company and of the Group during the year are set out in note 32 to the financial statements and the consolidated statement of changes in equity on page 27 respectively.

The Company had no reserves available for distribution to the shareholders of the Company as at 31 December 2012 (2011: Nil).

GROUP FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group announced in previous years are set out on page 2 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the financial statements.

Directors' Report

DIRECTORS

The Directors during the year ended 31 December 2012 and up to the date of this annual report were as follows:

Executive Directors

Mr. Zhang Shi Min	
Mr. Qie Bing Bing	
Mr. Li Shan Jie	(resigned on 22 November 2012)

Independent non-executive Directors

Mr. Leung Wah	
Mr. Fung Hoi Wing, Henry	
Mr. Gao Jin Lu	(appointed on 19 March 2013)
Mr. Cheung Chung Leung, Richard	(resigned on 19 March 2013)

Pursuant to bye-law 87(1) of the Company's bye-laws (the "Bye-laws"), at least one-thirds of the Directors shall retire from office by rotation. In this connection, Mr. Fung Hoi Wing, Henry and Mr. Cheung Chung Leung, Richard shall retire from office at the conclusion of the forthcoming annual general meeting of the Company. Pursuant to bye-law 86(2) of the Bye-laws, Mr. Gao Jin Lu shall be eligible for re-election at the forthcoming annual general meeting of the Company. Mr. Fung Hoi Wing, Henry and Mr. Gao Jin Lu, being eligible, will offer themselves for re-election. As Mr. Cheung Chung Leung, Richard has tendered his resignation effective 19 March 2013, he will not offer himself for re-election. The Company has received annual confirmations of independence from Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Cheung Chung Leung, Richard respectively, and also received confirmation of independence from Mr. Gao Jin Lu, and as at the date of this annual report still considers them to be independent and none of them had served the Company for more than 9 years.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and senior management of the Group as at the date of this annual report are set out on pages 8 to 9.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, Mr. Zhang Shi Min also acts as the Chief Executive Officer and Mr. Qie Bing Bing also acts as the Chief Investment Officer, has entered into a letter of employment with the Company. Under the letter of employment, each of them receives a basic salary per month without bonus and such other remuneration are subject to be reviewed by the Remuneration Committee and finally determined by the Board with reference to the financial performance of the Group, their duties, responsibilities and prevailing market conditions. Each of the letter of employment shall remain valid unless terminated by either party giving not less than three months' notice in writing or payment of three months' salary (calculated as the total of the salary for each month in this three-month notice period) in lieu of notice to the other party. At the absolute discretion of the Company, the terms set out on the letter of employment may be suspended until each of them has successfully renewed a valid working permit in Hong Kong.

Each of Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Cheung Chung Leung, Richard, the independent non-executive Directors. has signed a letter of appointment with the Company for the fourth term of 1 year with effect from 12 January 2013. Mr. Gao Jin Lu, independent non-executive Director, has also signed a letter of appointment with Company for the first term of 1 year with effect from 19 March 2013.

Each of the Directors are subject to retirement by rotation and/or re-election at the Company's annual general meeting in accordance with the Bye-laws.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, whether directly or indirectly, in any contract of significance subsisting during or at the end of the year to which the Company or any of its subsidiaries was a party.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2012, none of the Directors had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

A share option scheme has been adopted and approved by the shareholders of the Company at the annual general meeting held on 9 May 2012 (the "Share Option Scheme"). No share options have been granted under the Share Option Scheme since its adoption.

Particulars of the Share Option Scheme are set out in note 30 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed in the section headed "Directors' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Saved as disclosed in the section headed "Directors' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the year had the Directors and chief executives of the Company (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2012, the interests or short positions of person in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of Shareholder	Number of issued shares (after the Share Consolidation)	Capacity in which shares are held	Percentage of issued share capital
Sound Treasure Holdings Limited	517,000,000 *(Note)*	Beneficial owner	41.20%
Ms. Li Xiao Mei	517,000,000 *(Note)*	Interest in controlled corporation	41.20%

Note: The shares are held by Sound Treasure Holdings Limited ("Sound Treasure") incorporated in British Virgin Islands with limited liability, a company wholly owned by Ms. Li Xiao Mei. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Ms. Li is deemed to be interested in the shares held by Sound Treasure.

Save as disclosed above, as at 31 December 2012, the Directors were not aware of any other person (other than the directors and chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	10.9%
– five largest suppliers combined	42.4%
Sales	
– the largest customer	22.8%
– five largest customers combined	48.1%

None of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the above major suppliers or largest customers of the Group for the year ended 31 December 2012.

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

The Company did not redeem any of its listed securities during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and the controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any business or interest in companies that competes or may compete with the business of the Group or any other conflict of interests which any such person has or may have with the Group.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2012 are set out in note 18 to the financial statements.

CONNECTED TRANSACTIONS

Details of amount due to a shareholder are set out in note 27 to the financial statements. As at 31 December 2012, the Group had an outstanding loan of HK$5,628,000 (2011: HK$2,000,000) due to the controlling and substantial shareholder, Sound Treasure, (the "Connected Transaction"). The Connected Transaction is exempt from the reporting, announcement and independent shareholders' approval requirements of the rule 20.65(4) of the GEM Listing Rules.

The related party transactions are set out in note 35 to the financial statements. All the related party transactions did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

Save as disclosed above, there were no significant connected transactions entered into by the Group for the year ended 31 December 2012.

PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws, or laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

EVENTS AFTER THE REPORTING PERIOD

On 6 February 2013, the Company implemented the Share Consolidation. Details of the Share Consolidation are set out in the Management Discussion and Analysis of this report.

Mr. Cheung Chung Leung, Richard, has resigned as independent non-executive Director and a member of the audit committee, nomination committee, remuneration committee and corporate governance committee of the Board with effect from 19 March 2013. The Board has appointed Mr. Gao Jin Lu in replacement of Mr. Cheung with effect immediately after the resignation of Mr. Cheung effective from 19 March 2013.

Save as disclosed above, no significant events after the reporting period of the Group are required to be disclosed in the financial statements.

AUDITORS

The accounts for the year have been audited by HLB Hodgson Impey Cheng Limited ("HLB") whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Zhang Shi Min
Chief Executive Officer and Executive Director

Hong Kong, 19 March 2013

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices to the former Appendix 15 of the GEM Listing Rules (the "Old CG Code") for the period from 1 January 2012 to 31 March 2012 and complied with all the code provisions as set out in Corporate Governance Code and Corporate Governance Report to the existing Appendix 15 of the GEM Listing Rules (the "New CG Code") for the period from 1 April 2012 to 31 December 2012, other than the position of chairman of the Board has become vacant after the resignation of Mr. Li Shan Jie ("Mr. Li") on 22 November 2012, and the code provision E.1.2 of the New CG Code as disclosed below:

– Code provision E.1.2 of the New CG Code specifies that the chairman of the board should attend the annual general meeting. Mr. Li, the chairman of the Board at the time, has been heavily involved in the business operations of the Group. Despite his utmost intention to be present at the annual general meeting of the Company held on 9 May 2012 (the "AGM"), Mr. Li was unable to attend the AGM due to other urgent business commitments of the Group. Mr. Zhang Shi Min, the Chief Executive Officer and executive Director, has taken the chair of the AGM thereat to be available to answer question to ensure effective communication with the shareholders of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In order to reinforce their respective independence, accountability and responsibility, and to avoid power being concentrated in any one individual, the role of the Chairman is separated from that of the Chief Executive Officer. The Chairman was Mr. Li Shan Jie until he resigned as the Chairman and executive Director on 22 November 2012. The Board will appoint a chairman to fill the vacancy when the appropriate candidate has been identified. The Chief Executive Officer is Mr. Zhang Shi Min, our executive Director. Their respective responsibilities are clearly established and defined by the Board in writing. The Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures, whilst the Chief Executive Officer, supported by the executive directors and senior management, is responsible for managing the Group's businesses, including the implementation of major strategies and initiatives adopted by the Board.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiries of all Directors, each Director has confirmed that he has fully complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2012. Other employees of the Group who are likely to be in possession of unpublished inside information of the Company are also subject to compliance with guidelines on no less than exacting terms than the required standard of dealings set out in 5.48 to 5.67 of the GEM Listing Rules.

BOARD OF DIRECTORS

The Board members for the year ended 31 December 2012 and up to the date of this annual report were:

Executive Directors

Mr. Zhang Shi Min *(chief executive officer)*	
Mr. Qie Bing Bing *(chief investment officer)*	
Mr. Li Shan Jie	(resigned on 22 November 2012)

Independent non-executive Directors

Mr. Leung Wah	
Mr. Fung Hoi Wing, Henry	
Mr. Gao Jin Lu	(appointed on 19 March 2013)
Mr. Cheung Chung Leung, Richard	(resigned on 19 March 2013)

BOARD OF DIRECTORS *(Continued)*

The Board is responsible for the Group's corporate policy formulation, business strategies, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of quarterly, interim and annual accounts for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

During the year ended 31 December 2012, the attendance of each Director at the Board, committees and general meetings is set out below:

		Committee				
	Board *(Note 1)*	**Audit**	**Remuneration**	**Nomination**	**Corporate Governance** *(Note 2)*	**General Meeting** *(Note 3)*
Executive Directors						
Mr. Zhang Shi Min	4/4		1/1	1/1		1/1
Mr. Qie Bing Bing	4/4				2/2	0/1
Mr. Li Shan Jie *(Note 4)*	2/4					0/1
Independent non-executive Directors						
Mr. Leung Wah	4/4	4/4	1/1	1/1	2/2	1/1
Mr. Fung Hoi Wing, Henry	4/4	4/4	1/1	1/1	2/2	0/1
Mr. Cheung Chung Leung, Richard *(Note 5)*	1/4	1/4	1/1	1/1	1/2	0/1

Notes:

1. During the year ended 31 December 2012, the Board held four regular meetings.
2. The Corporate Governance Committee was established on 20 January 2012.
3. The AGM was held on 9 May 2012.
4. Mr. Li Shan Jie resigned as the Chairman, executive Director and a member of the Corporate Governance Committee of the Board effective 22 November 2012.
5. Mr. Cheung Chung Leung, Richard, resigned as independent non-executive Director and a member of the audit committee, nomination committee, remuneration committee and corporate governance committee of the Board effective 19 March 2013.

Apart from the above four regular Board meetings held during the year ended 31 December 2012, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision in advance of each Board meeting. The company secretary of the Company (the "Company Secretary") is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings so that they may receive accurate, timely and clear information. All Directors could access the advice and services of the Company Secretary to ensure that the Board's procedures, and all applicable law, rules and regulations, are followed. The Company Secretary is also responsible for providing to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings.

Each of the Directors' biographical information is set out on pages 8 to 9 of this annual report, which demonstrates a diversity of skills, experience and qualifications. Save as disclosed therein, to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among the members of the Board.

BOARD OF DIRECTORS *(Continued)*

All executive directors have given sufficient time and attention to the affairs of the Group and each of them has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. The Company had appointed three independent non-executive directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the shareholders of the Company. Pursuant to the requirements of the rule 5.09 of the GEM Listing Rules, the Company has received written annual confirmation from each of the independent non-executive directors of his independence. Based on such confirmations of independence, the Company considers all of the independent non-executive directors to be independent under Rule 5.09 of the GEM Listing Rules. As at the date of this annual report, the Board still considers them to be independent and none of them had served the Company for more than 9 years.

The Company encourages the Directors to attend any relevant programmes to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively. During the year ended 31 December 2012, all Directors have attended relevant training programmes. The training programmes attended include participation in conferences, seminars or courses of formal education, attending training relevant to the Company's business conducted by lawyers and private study of material relevant to the director's duties and responsibilities. The training received by each Director is set out below:

Directors		Type of trainings
Mr. Zhang Shi Min		C
Mr. Qie Bing Bing		A
Mr. Leung Wah		A, C
Mr. Fung Hoi Wing, Henry		A, B, C
Mr. Cheung Chung Leung, Richard	(resigned on 19 March 2013)	C
Mr. Li Shan Jie	(resigned on 22 November 2012)	C

Type of trainings:

A Participation in conferences, seminars or courses of formal education

B Attending training relevant to the Company's business conducted by lawyers

C Private study of material relevant to directors' duties and responsibilities

DIRECTORS' APPOINTMENT AND RE-ELECTION

Each of executive Directors, Mr. Zhang Shi Min also acts as the Chief Executive Officer and Mr. Qie Bing Bing also acts as the Chief Investment Officer, has entered into a letter of employment with the Company. Under the letter of employment, each of them receives a basic salary per month without bonus and such other remuneration are subject to be reviewed by the Remuneration Committee and finally determined by the Board with reference to the financial performance of the Group, their duties, responsibilities and prevailing market conditions. Each of the letter of employment shall remain valid unless terminated by either party giving not less than three months' notice in writing or payment of three months' salary (calculated as the total of the salary for each month in this three-month notice period) in lieu of notice to the other party. At the absolute discretion of the Company, the terms set out on the Letter of Employment may be suspended until each of them has successfully renewed a valid working permit in Hong Kong.

Each of Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Cheung Chung Leung, Richard, the independent non-executive directors has signed a letter of appointment with the Company for the fourth term of 1 year with effect from 12 January 2013, Mr. Gao Jin Lu, the independent non-executive Director, has also signed a letter of appointment with Company for the first term of 1 year with effect from 19 March 2013. Their appointments are subject to retirement by rotation and/or re-election at the Company's annual general meeting in accordance with the Bye-laws.

Pursuant to bye-law no. 87(1) of the Bye-laws, at least one-third of the Directors shall retire from office by rotation and any director appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Also, all Directors are subject to retirement by rotation at least once every three years. The directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election.

BOARD COMMITTEES

The Board has established four committees, namely corporate governance committee (the "CG Committee"), nomination committee (the "Nomination Committee"), remuneration committee (the "Remuneration Committee") and audit committee (the "Audit Committee"). New written terms of reference of the Remuneration Committee, Nomination Committee and Audit Committee have been adopted by the Board respectively on 1 March 2012 in compliance with the new CG Code and rule 5.28 of the GEM Listing Rules, and each of the new terms of reference of the Nomination Committee, Remuneration Committee and Audit Committee has been published on the websites of the GEM (http://www.hkgem.com) and the Company (http://www.8192.com.hk).

Each committee deal with matters in accordance with its terms of reference so that they could perform their functions properly, including but not limited to report back to the Board on their decisions or recommendations. All committees are provided with sufficient resources to perform their duties and have access to independent professional advice at the Company's expense if so reasonably required.

Corporate Governance Committee

The CG Committee was mainly set up to perform corporate governance duties of the Group. As at the date of this annual report, the CG Committee comprises of four members, Mr. Leung Wah, Mr. Qie Bing Bing, Mr. Fung Hoi Wing, Henry and Mr. Gao Jin Lu, of which Mr. Qie is an executive Director with sufficient knowledge of the Group's day-to-day operations and the majority is independence non-executive directors. The chairman of the CG Committee is Mr. Leung Wah.

The principles of corporate governance adopted by the Board stress the importance of a quality board, sound internal controls, and transparency and accountability to all the Shareholders.

The CG Committee is primarily responsible for developing and reviewing the policies and practice of corporate governance including the continuous professional development of directors and senior management, compliance with code of conduct of the Directors and the Company's policies and procedures, and making recommendations to the Board.

During the year ended 31 December 2012, two meetings of the CG Committee were held on 21 March 2012 and 9 August 2012, amongst others, to review the Company's corporate governance practices set out in the reports of the annual report 2011 and interim report 2012 and to ensure the Company complies with all principles and provisions in the New CG Code, and the attendance of the members was set out in the section headed BOARD OF DIRECTORS.

Nomination Committee

As at the date of this annual report, the Nomination Committee comprises of four members, Mr. Leung Wah, Mr. Zhang Shi Min, Mr. Fung Hoi Wing, Henry and Mr. Gao Jin Lu, a majority of which is independent non-executive directors. The chairman of the Nomination Committee is Mr. Leung Wah.

The Nomination Committee is primarily responsible for reviewing the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become members of the Board; assessing the independence of independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for Directors, in particular the Chairman and the Chief Executive.

The Board's criteria for nominating a suitable candidate for Directorship involves the consideration of the candidate's education, background, experience, qualification, reputation and such other attributes.

During the year ended 31 December 2012, one meeting of the Nomination Committee was held on 21 March 2012, amongst others, to review the structure, size and composition of the Board, assessing the continual independence of the independent non-executive directors, considering and recommending the re-election of the retiring Directors, and to review the terms set out in the renewal of the letter of appointment for Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Cheung Chung Leung, Richard as independent non-executive Directors, and the attendance of the members was set out in the section headed BOARD OF DIRECTORS.

BOARD COMMITTEES *(Continued)*

Remuneration Committee

As at the date of this annual report, the Remuneration Committee comprises of four members, Mr. Leung Wah, Mr. Zhang Shi Min, Mr. Fung Hoi Wing, Henry and Mr. Gao Jin Lu, a majority of which is independent non-executive directors. The chairman of the Remuneration Committee is Mr. Leung Wah.

The Remuneration Committee is primarily responsible for making recommendations to the Board regarding the Group's policy and structure for remuneration of Directors and senior management and making recommendations to the Board on the remuneration packages of individual directors and senior management of the Company.

During the year ended 31 December 2012, one meeting of the Remuneration Committee was held on 21 March 2012, among others, to review, consider and approve the remuneration policy of the Group and review the Directors' fee stated in the renewal of letter of appointment for Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Cheung Chung Leung, Richard as independent non-executive Directors, and the attendance of the members was set out in the section headed BOARD OF DIRECTORS.

Details of the Directors' emoluments and remuneration payable to members of senior management by band are set out in notes 14 to the financial statements.

Audit Committee

As at the date of this annual report, the Audit Committee comprises of three members, Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Gao Jin Lu, and all of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Leung Wah.

The Audit Committee is primarily responsible for assisting, reviewing and supervising the Group's financial reporting system and internal control procedures.

During the year ended 31 December 2012, four meetings of the Audit Committee were held on 21 March 2012, 10 May 2012, 9 August 2012 and 9 November 2012, amongst other matters, to consider the final results of the Group ended 31 December 2012, the quarterly results of the Group for the three months ended 31 March 2012 and the nine months ended 30 September 2012 and the interim results of the Group for the six months ended 30 June 2012, reviewing of related party transactions, re-appointment of the Company's auditors, discussing with the auditors of the Company on internal control, auditors' independence and remuneration and the scope of work in relation to the annual audit, and the attendance of the members was set out in the section headed BOARD OF DIRECTORS.

The accounts for the year ended 31 December 2012 have been audited by HLB whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that HLB be re-appointed as the auditors of the Company at the forthcoming annual general meeting

INTERNAL CONTROL

The Board has overall responsibility for maintaining effective internal control to safeguard the Group's assets and the shareholders' interests. The Board, through the Audit Committee, conducted an annual review of the effectiveness of the internal control system of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions. The Board is of the view that the internal control system in place for the year ended 31 December 2012 is sufficient to safeguard the interests of the shareholders and the Group's assets.

AUDITORS' REMUNERATION

During the year ended 31 December 2012, the remuneration including disbursement paid or payable to the Company's auditors, HLB, is HK$319,988 (2011: HK$300,000). No non-audit service was provided by the external auditors, HLB, for the year ended 31 December 2012.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors acknowledge their responsibility for the preparation and true and fair presentation of the financial statements of the Company. In preparing the financial statements, the financial reporting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable judgements and estimates have been made. The Board is not aware of any material uncertainties relating to the events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the ongoing concern basis in preparing the financial statements.

The Auditors' responsibilities are set out in the "Independent Auditors' Report" of this Annual Report.

COMPANY SECRETARY

The Company Secretary, Ms. Li Shan Mui, is a full-time employee of the Company who supports the Board by ensuing good information inflow within the Board and that board policy and procedures are followed. Ms. Li reports to the Board's chairman and/or the Chief Executive Officer. During the year ended 31 December 2012, Ms. Li has undertaken not less than 15 hours of relevant professional training in compliance with rule 5.15 of the GEM Listing Rules.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT

The Board recognizes the importance of maintaining clear, timely and effective communication with the shareholders of the Company (the "Shareholders") and potential investors. Information in relation to the Group is disseminated to the Shareholders in a timely manner through a number of formal channels including quarterly, interim and annual reports, announcements and circulars.

During the year ended 31 December 2012, the 2012 AGM was held on 9 May 2012. The auditors of the Company, HLB, attended the 2012 AGM to answer questions about the conduct of the audit, preparation and content of the auditors' report, the accounting policies and auditors' independence. The Chief Executive Officer and Executive Director, Mr. Zhang Shi Min, chaired the meeting and the chairman of the board committees of the Company also attended the 2012 AGM to answer questions at the meeting. All resolutions proposed at the 2012 AGM were duly passed by the Shareholders by way of poll. The results of the poll were published on the websites of the GEM and the Company. The attendance of the Directors was set out in the section headed BOARD OF DIRECTORS.

A special general meeting of the Company held on 6 February 2013 and the share consolidation proposed at the meeting as an ordinary resolution was duly passed by the Shareholders by way of poll. The results of the poll was published on the websites of the GEM and the Company. The forthcoming annual general meeting will be held at the Company's head office in Hong Kong on 9 May 2013.

Shareholder Communication Policy

A written shareholder communication policy has been adopted by the Company on 21 March 2012, from which the general policy is extracted as follow:

1. The Board shall maintain its communication with the Shareholders and the potential investors as an on-going process, and shall regularly review this Policy to ensure its effectiveness.

2. The Company communicates with the Shareholders and the potential investors through various channels, including financial reports (annual, half-yearly and quarterly reports), annual general meetings and special general meetings, press release, road shows, investment conferences, announcements and circulars.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT *(Continued)*

Shareholder Communication Policy *(Continued)*

3. Information published by the Company pursuant to the GEM Listing Rules will be made available on the websites of the GEM and the Company (such as its history and developments, products and services, awards and achievements etc) to enable the Shareholders and the potential investors to have better understanding of the Company and its latest development.

4. The Company shall ensure effective and timely dissemination of information to the Shareholders and the potential investors at all times. Any question regarding this Policy shall be directed to the Company Secretary.

Details of the Shareholder Communication Policy are published on the website of the Company.

Procedures for the Shareholders to Propose a Person for Election as a Director

The Company has also adopted procedures for Shareholders to propose a person for election as a director on 21 March 2012, from which the nomination procedure is extracted as follow:

1. In accordance with bye-law 88 of the Bye-Laws, a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at a general meeting (the "Election Meeting") for which such notice is given of his intention to propose such person for election as director (the "Nominee") and also a notice signed by the Nominee of his/her willingness to be elected (the "Nominee's Notice", and together the "Running Notices") shall be lodged at the Company's head office or at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited.

2. According to bye-law 88 of the Bye-Laws, the minimum length of the period, during which such Running Notices are given, shall be at least seven (7) days and that (if the Running Notices are submitted after the dispatch of the notice of the Election Meeting) the period for lodgment of the Running Notices shall commence on the day after the dispatch of the notice of the Election Meeting and end no later than seven (7) days prior to the date of the Election Meeting. In this connection, the Running Notices shall be lodged within the seven-day (7-day) period commencing from the day after the dispatch of the notice of the Election Meeting.

3. The Nominee's Notice must include the biographical details of the Nominee as required by rule 17.50(2) of the GEM Listing Rules. The Nominee shall warrant in the Nominee's Notice that the information provided is true and complete and undertake that he/she will discharge his/her duties as director upon election.

Details of the Procedures for the Shareholders are published on the website of the Company in compliance with rule 17.50C of the GEM Listing Rules.

Procedures for Shareholders to Propose Convening Special General Meetings

Pursuant to bye-law 58 of the Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the "Act").

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT *(Continued)*

Procedures for Shareholders to Propose Convening Special General Meetings *(Continued)*

The written requisition must state the purposes of the general meeting, signed by the shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those shareholders. Such written requisition can be addressed to the Company Secretary in writing by mail to the Company's head office in Hong Kong.

If the requisition is in order, the Company Secretary will ask the Board to convene a special general meeting by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition is invalid, the shareholder(s) concerned will be advised of this outcome and accordingly, a special general meeting will not be convened as requested.

Pursuant to Section 74(3) of the Act, if the directors do not within twenty-one (21) days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Enquiries

The Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company Secretary at the Company's head office in Hong Kong at Unit 2803, 28th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

SIGNIFICANT CHANGES IN THE BYE-LAWS

At 2012 AGM, a special resolution is passed to amend the Bye-laws. The purpose of the amendments is to bring the Bye-laws in line with certain changes to the GEM Listing Rules. Details of the amendments are set out in the circular of the Company dated 30 March 2012. New Bye-laws of the Company has been published on the websites of the GEM and the Company.

Independent Auditors' Report

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF GLOBAL ENERGY RESOURCES INTERNATIONAL GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Global Energy Resources International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 74 which comprise the consolidated and Company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 19 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (restated)
Continuing operation			
Revenue	6	**9,662**	25,385
Cost of sales		**(8,150)**	(17,408)
Gross profit		**1,512**	7,977
Other revenue	6	**151**	165
Other gains and losses	7	**(9,377)**	(2,966)
Selling and distribution expenses		**(712)**	(2,183)
Administrative expenses		**(13,737)**	(21,168)
Loss from operations		**(22,163)**	(18,175)
Finance costs	8	**(211)**	(289)
Loss before taxation	9	**(22,374)**	(18,464)
Taxation	10	**(71)**	(342)
Loss for the year from continuing operation		**(22,445)**	(18,806)
Discontinued operation			
Gain/(loss) for the year from discontinued operation	11	**2,186**	(1,302)
Loss for the year		**(20,259)**	(20,108)
Other comprehensive income, net of income tax			
Exchange differences on translation of foreign operations		**1,206**	841
Other comprehensive income for the year, net of income tax		**1,206**	841
Total comprehensive loss for the year		**(19,053)**	(19,267)
(Loss)/profit for the year attributable to			
Owners of the Company		**(17,185)**	(21,255)
Non-controlling interests		**(3,074)**	1,147
		(20,259)	(20,108)
Total comprehensive (loss)/ income for the year attributable to			
Owners of the Company		**(17,050)**	(20,266)
Non-controlling interests		**(2,003)**	999
		(19,053)	(19,267)
Loss per share			
From continuing and discontinued operations			
– Basic and diluted	13	**HK(1.37) cents**	HK(1.69) cents
From continuing operation			
– Basic and diluted		**HK(1.54) cents**	HK(1.59) cents

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**1,723**	2,151
Goodwill	16	**5,404**	10,661
Other assets	17	**614**	609
		7,741	13,421
Current assets			
Inventories	19	**11,113**	15,723
Trade receivables	20	**3,802**	6,452
Other receivables, deposits and prepayments	21	**12,446**	9,760
Cash and cash equivalents	22	**1,292**	8,944
		28,653	40,879
Current liabilities			
Trade payables	24	**1,195**	3,099
Accruals and other payables	25	**5,868**	7,650
Amounts due to related parties	26	**3,709**	1,212
Amount due to a shareholder	27	**5,628**	2,000
Bank borrowing	28	**–**	6,044
		16,400	20,005
Net current assets		**12,253**	20,874
Total assets less current liabilities		**19,994**	34,295
Net assets		**19,994**	34,295
EQUITY			
Share capital	29	**6,274**	6,274
Reserves		**1,592**	13,890
Total equity attributable to owners of the Company		**7,866**	20,164
Non-controlling interests		**12,128**	14,131
Total equity		**19,994**	34,295

The consolidated financial statements were approved and authorised for issue by the board of directors on 19 March 2013 and signed on its behalf by:

Zhang Shi Min
Director

Qie Bing Bing
Director

Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	18	**24,132**	24,132
Current assets			
Other receivables, deposits and prepayments	21	**305**	308
Cash and cash equivalents	22	**865**	466
		1,170	774
Current liabilities			
Accruals and other payables	25	**388**	475
Amount due to a subsidiary	23	**68**	68
Amount due to a shareholder	27	**5,650**	2,000
		6,106	2,543
Net current liabilities		**(4,936)**	(1,769)
Total assets less current liabilities		**19,196**	22,363
Net assets		**19,196**	22,363
EQUITY			
Share capital	29	**6,274**	6,274
Reserves	32	**12,922**	16,089
Total equity		**19,196**	22,363

The financial statements were approved and authorised for issue by the board of directors on 19 March 2013 and signed on its behalf by:

Zhang Shi Min
Director

Qie Bing Bing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company										
	Share capital HK$'000	Capital reserve (note (i)) HK$'000	Share premium HK$'000	Special reserve (note (ii)) HK$'000	Warrant reserve (note (iii)) HK$'000	Statutory reserve (note (iv)) HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2011	6,274	1,030	70,009	11	–	–	421	(37,315)	40,430	1,473	41,903
Capital injection in a subsidiary	–	–	–	–	–	–	–	–	–	11,659	11,659
Transfer to statutory reserve	–	–	–	–	–	320	–	(320)	–	–	–
Transaction with owners	–	–	–	–	–	320	–	(320)	–	11,659	11,659
Net (loss)/profit for the year	–	–	–	–	–	–	–	(21,255)	(21,255)	1,147	(20,108)
Other comprehensive income/(loss), net of income tax											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	989	–	989	(148)	841
Total comprehensive income (loss) for the year	–	–	–	–	–	–	989	(21,255)	(20,266)	999	(19,267)
Balance at 31 December 2011 and 1 January 2012	6,274	1,030	70,009	11	–	320	1,410	(58,890)	20,164	14,131	34,295
Placing of non-listed warrants, net of transaction cost	–	–	–	–	4,752	–	–	–	4,752	–	4,752
Transaction with owners	–	–	–	–	4,752	–	–	–	4,752	–	4,752
Net loss for the year	–	–	–	–	–	–	–	(17,185)	(17,185)	(3,074)	(20,259)
Other comprehensive income net of income tax											
Exchange differences on translation of foreign operations	–	–	–	–	–	4	131	–	135	1,071	1,206
Total comprehensive income/(loss) for the year	–	–	–	–	–	4	131	(17,185)	(17,050)	(2,003)	(19,053)
Balance at 31 December 2012	**6,274**	**1,030***	**70,009***	**11***	**4,752***	**324***	**1,541***	**(76,075)***	**7,866**	**12,128**	**19,994**

* The aggregated amount of these balances of HK$1,592,000 (2011: HK$13,890,000) in surplus is included as reserves in the consolidated statement of financial position.

Notes:

(i) The capital reserve of the Group represents a capital contribution by a shareholder company during the year ended 31 December 2007.

(ii) The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the amount of the share capital of a subsidiary acquired pursuant to a group reorganisation in 2002.

(iii) The warrants reserve of the Group represents non-listed warrants were issued to the two independent third parties during the year ended 31 December 2012.

(iv) Subsidiary of the Company establish in the PRC shall appropriate 10% of its annual statutory net profit (after offsetting any prior year losses) to the statutory reserve fund account in accordance with the PRC Company law. When the balance of such reserve fund reaches 50% of the entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior year's losses or to increase capital after proper approval.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (restated)
Cash flows from operating activities			
(Loss)/profit before taxation			
– Continuing operation		**(22,374)**	(18,464)
– Discontinued operation		**2,186**	(1,302)
		(20,188)	(19,766)
Adjustments for:			
Interest income		**(11)**	(37)
Finance costs	8	**211**	289
Depreciation	15	**436**	328
Impairment loss recognised on inventories	19	**2,076**	–
Impairment loss recognised on trade receivables	20	**1,906**	2,996
Impairment loss recognised on goodwill	16	**5,395**	–
Gain on disposal of subsidiaries	34	**(2,866)**	(30)
Loss on disposal of property, plant and equipment	9	**29**	40
Operating loss before working capital changes		**(13,012)**	(16,180)
Decrease/(increase) in inventories		**2,455**	(5,575)
Decrease/(increase) in trade receivables		**744**	(625)
Increase in other receivables, deposits and prepayments		**(2,883)**	(12,757)
Increase/(decrease) in trade payables		**532**	(3,710)
(Decrease)/ increase in accruals and other payables		**(1,166)**	7,644
Cash used in operating activities		**(13,330)**	(31,203)
PRC enterprise income tax paid		**(71)**	(408)
Net cash used in operating activities		**(13,401)**	(31,611)
Cash flows from investing activities			
Interest received		**11**	37
Net cash outflow from disposal of subsidiaries	34	**(19)**	–
Purchase of property, plant and equipment	15	**(24)**	(1,510)
Net cash used in investing activities		**(32)**	(1,473)
Cash flows from financing activities			
Proceeds from the placing of non-listed warrants, net of transaction cost	31	**4,752**	–
Capital injection in a subsidiary by non-controlling interests		**–**	11,659
Borrowings from/(repayment to) related parties		**2,497**	(4,297)
Amount due to a shareholder		**3,648**	2,000
(Repayment to)/proceeds from bank borrowing		**(6,044)**	6,044
Interest paid		**(211)**	(289)
Net cash generated from financing activities		**4,642**	15,117
Net decrease in cash and cash equivalents		**(8,791)**	(17,967)
Cash and cash equivalents at the beginning of the year		**8,944**	26,375
Effect of foreign exchange rate changes		**1,139**	536
Cash and cash equivalents at the end of the year		**1,292**	8,944

Notes to the Financial Statements

For the year ended 31 December 2012

1. GENERAL INFORMATION

Global Energy Resources International Group Limited is a limited liability company incorporated in the Cayman Islands and continued in Bermuda. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Unit 2803, 28th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors, the ultimate holding company of the Company is Sound Treasure Holdings Limited, a company incorporated in British Virgin Islands.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

The financial statements for the year ended 31 December 2012 were approved for issue by the board of directors on 19 March 2013.

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

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations ("new HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") there are relevant to its operations and effective for annual periods beginning on or after 1 January 2012.

HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The directors anticipate that the application of these new HKFRSs has no material impact on the results and the financial position of the Group.

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

New and revised HKFRSs in issue but not yet effective

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

HKAS 19 (2011)	Employee Benefits[1]
HKAS 27 (2011)	Separate Financial Statements[1]
HKAS 28 (2011)	Investments in Associates and Joints Ventures[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
HKFRS (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle except for the amendments to HKAS 1[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Agreements Disclosure of Interests in Other Entities: Transition Guidance[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]

1. Effective for annual periods beginning on or after 1 January 2013.
2. Effective for annual periods beginning on or after 1 January 2014.
3. Effective for annual periods beginning on or after 1 January 2015.

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.

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 to be 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 reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting 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. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2012

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

New and revised HKFRSs in issue but not yet effective *(Continued)*

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

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

For other new and revised HKFRSs which are issued but not yet effective, the Group is in the process of making and assessment of the impact upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's result of operations and financial position.

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, 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 all of these standards are applied at the same time.

The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2012

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

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 anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKFRS 7 and HKAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures

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 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 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.

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

HKAS 19 Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension as set or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

HKAS 1 (Amendments) 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 in the other comprehensive income section: (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 the future accounting periods.

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:

- amendments to HKAS 1 Presentation of Financial Statements;
- amendments to HKAS 16 Property, Plant and Equipment; and
- amendments to HKAS 32 Financial Instruments: Presentation.

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

Amendments to HKAS 1

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). 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 16

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 amendments to HKAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to HKAS 32

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 Group's consolidated financial statements as the Group has already adopted this treatment.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose 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 statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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 acquire 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 (see the accounting policy below); and

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by – transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

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. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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 as established at the date of acquisition of the business less accumulated impairment losses, if any.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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.

Notes to the Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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. 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 in the consolidated statement of comprehensive income/income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Foreign currencies

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the end of the reporting period. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is sold, such exchange differences are recognised in profit and loss as part of the gain or loss on sale.

Revenue recognition

Revenue comprises the fair value of consideration received for the rendering of services. Provided it is probable that the economic benefit will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Sales of goods are recognised when the goods are delivered and title has passed.

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

Notes to the Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the rate of 10% to 20% per annum.

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

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

Impairment testing of non-financial assets

Property, plant and equipment and interests in subsidiaries are subject to impairment testing at the end of each reporting period. Individual assets or cash-generating units are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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 lessee

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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

The Group's financial assets include trade and other receivables, cash and cash equivalents.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in the statement of comprehensive income.

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

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

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

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

Impairment of financial assets

At the end of each reporting period, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtor;

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

– It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

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

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

Taxation

Income tax comprises current tax payable and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the profit and loss.

Deferred tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Notes to the Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of the reporting period.

Changes in deferred tax assets or liabilities are recognised in profit and loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Cash and cash equivalents

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

Provisions and contingent liabilities

Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. At the end of the subsequent reporting periods, such contingent liabilities are recognised at the higher of the amount recognised in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less accumulated amortisation recognised in accordance with HKAS 18 Revenue.

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

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

Related parties

A party is considered to be related to the Group if:

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

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

(ii) has significant influence over the Group; or

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

Notes to the Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

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

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

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

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

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

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Notes to the Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs and short term employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiary which operates in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit and loss as they become payable in accordance with the rules of the central pension scheme.

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

Short-term employee benefits

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

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

Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

Financial liabilities

The Group's financial liabilities include trade payables, accruals and other payables and convertible bonds. They are included in the line items in the consolidated statement of financial position as "Trade payables", "Accruals and other payables", "Amounts due to related parties", "Amount due to a shareholder" and "Bank borrowing" under current liabilities.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

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

Trade payables and accruals and other payables

Trade payables and accruals and other payables are recognised initially at their fair values and subsequently measured at amortised costs, using the effective interest method.

Other financial liabilities

Other financial liabilities (including borrowings, amounts due to related parties and amount due to a shareholder) 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 financial liabilities classified as at fair value through profit or loss.

Segment reporting

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

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

The following is the critical judgment, 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 consolidated financial statements.

4. ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The Group annually reviews the useful life of an asset and its residual value, if any. The useful life is based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The directors estimate the net realisable value for raw materials and finished goods based primarily on the latest invoice prices and current market conditions. In addition, the directors perform an inventory review on a product-by-product basis at the end of each reporting period and assess the need for write down of inventories.

Allowance for impairment of doubtful debts

The impairment of trade and other receivables are based on the ongoing evaluation of collectability and aging analysis of the outstanding receivables and on management's judgment. From time to time, the Group may experience delays in collection. Where recoverability of trade and other debtor balances are called into doubts, resulting in an impairment of their ability to make payments, provision may be required. Certain receivables may be initially identified as collectable, yet subsequently become uncollectable and result in a subsequent write-off of the related receivable to the consolidated statement of comprehensive income. Changes in the collectability of trade and other receivables for which provisions are not made could affect our results of operations.

Impairment losses for property, plant and equipment

Property, plant and equipment are assessed at the end of each reporting period to identify indications that they may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment is estimated. The recoverable amount of the property, plant and equipment is based on value-in-use calculations. These calculations are determined based on cash flow projections with reasonable assumptions that represent management's best estimate of the range of economic conditions over the remaining useful life of the assets. Changes in facts and circumstances may result in revisions to whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit of loss in future years.

Income taxes

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in Note 3. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations. For the year ended 31 December 2012, impairment loss of goodwill of approximately HK$5,395,000 has been recognised (2011: Nil).

Notes to the Financial Statements

For the year ended 31 December 2012

5. SEGMENT INFORMATION

Information reported to executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments under HKFRS 8 are as follows:

– Manufacturing and sales of environmentally friendly air-conditioners and related products

– Provision of information technology and engineering consultancy services

The segment of provision of information technology and engineering consultancy services was disposed during the year ended 31 December 2012.

Segment revenues and results

For the year ended 31 December 2012:

	Discontinued operation	Continuing operation	
	Provision of information technology and engineering consultancy services HK$'000	Manufacturing and sales of environmentally friendly air-conditioners and related products HK$'000	Total HK$'000
Segment revenue	69	9,662	9,731
Segment results	2,231	(13,913)	(11,682)
Other gains			151
Central administrative costs			(8,446)
Finance costs			(211)
Loss before taxation			(20,188)

Notes to the Financial Statements

For the year ended 31 December 2012

5. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2011:

	Discontinued operation	Continuing operation	
	Provision of information technology and engineering consultancy services HK$'000	Manufacturing and sales of environmentally friendly air-conditioners and related products HK$'000	Total HK$'000
Segment revenue	89	25,385	25,474
Segment results	(3,951)	(295)	(4,246)
Other gains			112
Central administrative costs			(15,343)
Finance costs			(289)
Loss before taxation			(19,766)

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in the current year.

Notes to the Financial Statements

For the year ended 31 December 2012

5. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting polices described in note 3 to the financial statement. Segment results represent the loss recorded by each segment without allocation of other gains, central administrative costs including directors' remuneration, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Segment assets and liabilities

31 December 2012

	Discontinued operation	Continuing operation	
	Provision of information technology and engineering consultancy services HK$'000	Manufacturing and sales of environmentally friendly air-conditioners and related products HK$'000	Total HK$'000
Segment assets	–	34,195	34,195
Unallocated assets			2,199
Total assets			36,394
Segment liabilities	–	10,274	10,274
Unallocated liabilities			6,126
Total liabilities			16,400

31 December 2011

	Discontinued operation	Continuing operation	
	Provision of information technology and engineering consultancy services HK$'000	Manufacturing and sales of environmentally friendly air-conditioners and related products HK$'000	Total HK$'000
Segment assets	1,012	50,882	51,894
Unallocated assets			2,406
Total assets			54,300
Segment liabilities	3,051	14,329	17,380
Unallocated liabilities			2,625
Total liabilities			20,005

Notes to the Financial Statements

For the year ended 31 December 2012

5. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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

– all assets are allocated to reportable segments other than assets held by the Company and its subsidiaries which the role are investment holding company. Goodwill is allocated to reportable segment of "manufacturing and sales of environmentally friendly air-conditioners and related products"; and

– all liabilities are allocated to reportable segments other than liabilities held by the Company and its subsidiaries which the role are investment holding company.

Other segment information

For the year ended 31 December 2012

	Discontinued operation	**Continuing operation**		
	Provision of information technology and engineering consultancy services HK$'000	**Manufacturing and sales of environmentally friendly air-conditioners and related products HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Depreciation of property, plant and equipment	**2**	**246**	**188**	**436**
Capital expenditure	**–**	**9**	**15**	**24**

For the year ended 31 December 2011

	Discontinued operation	Continuing operation		
	Provision of information technology and engineering consultancy services HK$'000	Manufacturing and sales of environmentally friendly air-conditioners and related products HK$'000	Unallocated HK$'000	Total HK$'000
Depreciation of property, plant and equipment	5	150	173	328
Capital expenditure	–	1,510	–	1,510

In addition to the depreciation reported above, impairment losses of HK$1,906,000 (2011: HK$2,996,000), HK$2,076,000 (2011: Nil) and HK$5,395,000 (2011: Nil) were recognised in respect of trade receivables, inventories and goodwill respectively. These impairment losses were attributable to the reportable segment of "manufacturing and sales of environmentally friendly air-conditioners and related products".

5. SEGMENT INFORMATION *(Continued)*

Revenue from major products

The Group's revenue from its major products is set out in Note 6.

Geographical information

The Group's revenue from continuing operations of external customers and its non-current assets (other than financial instruments) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**9,662**	25,385	**7,390**	12,867
Hong Kong	**–**	–	**351**	554
Total	**9,662**	25,385	**7,741**	13,421

The geographical location of customers is based on the location at which the services were rendered or the goods delivered. The geographical location of the non-current assets is based on the physical location of the assets.

Information about major customers

For the year ended 31 December 2012, approximately HK$2,206,000 or 22.8% of the Group's revenue generated from the largest customer. No other single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2012.

For the year ended 31 December 2011, there was no single customer contributed 10% or more to the Group's revenue.

6. REVENUE

Continuing operation

Revenue, which is also the Group's turnover, represents the aggregate of the amounts received and receivable from third parties in connection with the sales of environmentally friendly air-conditioners and related products. Revenue and other income recognised from continuing operation during the year are as follows:

	2012	2011
	HK$'000	HK$'000
		(restated)
Revenue		
Sales of environmentally friendly air-conditioners and related products	**9,662**	25,385
Interest income	**11**	35
Sundry income	**140**	130
	151	165

Notes to the Financial Statements

For the year ended 31 December 2012

7. OTHER GAINS AND LOSSES

	2012 **HK$'000**	2011 HK$'000
Gain on disposal of subsidiaries (Note 34)	**–**	30
Impairment loss recognised on inventories (Note 19)	**(2,076)**	–
Impairment loss recognised on trade receivables (Note 20)	**(1,906)**	(2,996)
Impairment loss recognised on goodwill (Note 16)	**(5,395)**	–
	(9,377)	(2,966)

8. FINANCE COSTS

Continuing operation

	2012 **HK$'000**	2011 HK$'000
Bank borrowing		
– wholly repayable within five years	**211**	289

9. LOSS BEFORE TAXATION

Continuing operation

	2012 **HK$'000**	2011 HK$'000 (restated)
Loss before taxation is arrived at after charging/(crediting)		
Auditors' remuneration	**280**	300
Depreciation of owned assets	**434**	323
Net foreign exchange (gain)/loss	**(4)**	51
Cost of inventories recognised as an expense	**7,324**	17,003
Operating lease rentals in respect of rented premises	**4,307**	3,117
Loss on disposal of property, plant and equipment	**29**	40

Notes to the Financial Statements

For the year ended 31 December 2012

10. TAXATION

The Company is not subject to taxes in profits, income or dividends in Bermuda. Its subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rates of 16.5% (2011: 16.5%) on the estimated assessable profits for the year.

No provision for taxation has been made in the financial statements as the subsidiaries in Hong Kong had no assessable profit for the year (2011: Nil).

The income tax provision in respect of operations in the PRC is calculated at the applicable rates on the estimated assessable profits for the year based on the unification of income tax rates for domestic-invested and foreign-invested enterprises at 25%.

	2012 **HK$'000**	2011 HK$'000
Current tax:		
PRC enterprise income tax	**71**	342
Hong Kong profit tax	**–**	–
	71	342

Reconciliation between tax expense and accounting loss at applicable tax rates is as follows:

	2012 **HK$'000**	2011 HK$'000 (restated)
Loss before taxation (from continuing operation)	**(23,374)**	(18,464)
Tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdiction concerned	**(6,061)**	(3,096)
Tax effect of non-deductible expenses	**3,129**	841
Tax effect of non-taxable income	**(3)**	(4)
Tax effect of unused tax losses not recognised	**3,006**	2,601
Income tax for the year	**71**	342

Deferred Taxation

Deferred taxation is calculated in full on temporary difference under the liabilities method using a principal taxation rate of 16.5% (2011: 16.5%). During the years ended 31 December 2012 and 2011, no deferred taxation was recognised by the Company.

Unrecognised deferred tax assets

As at 31 December 2012, the Group and the Company had unutilised tax losses of HK$30,789,000 (2011: HK$29,256,000) and HK$18,180,000 (2011: HK$16,873,000) respectively available for offsetting against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Notes to the Financial Statements

For the year ended 31 December 2012

11. DISCONTINUED OPERATION

On 18 May 2012, the Company entered into the disposal agreement to dispose of UURG (China) Limited and its wholly owned subsidiary UURG Controls (Shenzhen) Limited ("Disposal Group"), which provided provision of information technology and engineering consultancy services operation. As the revenue contributed by the Disposal Group to Group has been decreasing significantly since 2011 and losses were recorded continuously in the business segment of the Disposal Group during the year. The disposal was completed on 18 May 2012. After the disposal, the Disposal Group will cease to be the subsidiaries of the Group and its results and assets and liabilities will no longer be consolidated in the Group.

The results of the discontinued operation included in the gain/(loss) for the year are set out below:

	2012 **HK$'000**	2011 HK$'000
Gain/(loss) for the year from discontinued operation		
Revenue	**69**	89
Cost of sales	**(579)**	(89)
Gross profit	**(510)**	–
Other revenue	**1**	2
Selling and distribution expenses	**(148)**	(952)
Administrative expenses	**(23)**	(352)
Loss for the year	**(680)**	(1,302)
Gain on disposal of subsidiaries (Note 34(a))	**2,866**	–
Gain/(loss) for the year from discontinued operation	**2,186**	(1,302)

Gain/(loss) for the year from discontinued operation including the following:

	2012	2011
Depreciation	**2**	5
Cash flows from discontinued operation		
Net cash inflows from operating activities	**552**	4,148
Net cash inflows/(outflows) from financing activities	**20**	(2,420)
Net cash inflows	**572**	1,728

12. LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of HK$7,919,000 (2011: HK$18,920,000) has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

The Company implemented the share consolidation on the basis that every ten (10) issued and unissued shares of HK$0.0005 each in the share capital of the Company be consolidated into one (1) consolidated share of HK$0.005 each and the effective date of the share consolidation was 7 February 2013.

The basic and diluted loss per share of all periods presented shall be adjusted for the effects from share consolidation accounted for retrospectively. Upon the share consolidation becoming effective, issued number of shares of 12,548,000,000 were consolidated into 1,254,800,000.

During the year ended 31 December 2012, the Company's outstanding warrants was not included in the calculation of the diluted loss per share because the effect of the Company's outstanding warrants was anti-dilutive.

From continuing and discontinued operations

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to owners of the Company of HK$17,185,000 (2011: HK$21,255,000) and on the number of consolidated shares.

From continuing operation

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

Loss figures are calculated as follows:

	2012 **HK$'000**	2011 HK$'000
Loss for the year attributable to owners of the Company	**(17,185)**	(21,255)
Less: Gain/(loss) for the year from discontinued operation	**2,186**	(1,302)
Loss for the purpose of basic and diluted loss per share from continuing operation	**(19,371)**	(19,953)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operation

Basic and diluted earnings per share for the discontinued operations is HK$0.17 cents (2011: loss per share of HK$0.10 cents), based on the gain for the year from the discontinued operations of HK$2,186,000 (2011: loss of HK$1,302,000) and the denominators detailed above for both basic and diluted loss per share.

Notes to the Financial Statements

For the year ended 31 December 2012

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
2012				
Executive directors				
Mr. Li Shan Jie (resigned on 22 November 2012)	–	300	–	300
Mr. Zhang Shi Min (Note)	–	420	14	434
Mr. Qie Bing Bing	–	360	11	371
	–	1,080	25	1,105
Independent non-executive directors				
Mr. Leung Wah	120	–	–	120
Mr. Fung Hoi Wing, Henry	120	–	–	120
Mr. Cheung Chung Leung, Richard (resigned on 19 March 2013)	120	–	–	120
	360	–	–	360
Total	360	1,080	25	1,465

Notes to the Financial Statements

For the year ended 31 December 2012

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
2011				
Executive directors				
Mr. Li Shan Jie (appointed on 1 June 2011 and resigned on 22 November 2012)	–	230	–	230
Ms. Li Xiao Mei (resigned on 23 June 2011)	–	624	–	624
Mr. Zhang Shi Min (Note)	–	759	1	760
Mr. Qie Bing Bing	–	411	–	411
	–	2,024	1	2,025
Non-executive directors				
Mr. Wu Gao Yuan (resigned on 1 June 2011)	70	–	–	70
Mr. Wen Wei Zhong (resigned on 1 June 2011)	70	–	–	70
	140	–	–	140
Independent non-executive directors				
Mr. Leung Wah	140	–	–	140
Mr. Fung Hoi Wing, Henry	140	–	–	140
Mr. Cheung Chung Leung, Richard (resigned on 19 March 2013)	140	–	–	140
	420	–	–	420
Total	560	2,024	1	2,585

Note: Mr. Zhang Shi Min who is the chief executive officer of the Company.

Notes to the Financial Statements

For the year ended 31 December 2012

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals during the year included two directors (2011: two) and one former director. The details of the emoluments of the remaining three (2011: remaining two) highest paid individuals are as follows:

	2012 HK$'000	2011 HK$'000
Basic salaries ad allowances	**1,110**	911
Retirement benefits scheme contributions	**40**	13
	1,150	924

All of the above highest paid individuals (2011: two) received individual emoluments below HK$1 million.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Furniture, fixtures and equipment HK$'000
Cost:	
Balance at 1 January 2011	1,163
Additions	1,510
Disposal	(61)
Exchange alignment	18
Balance at 31 December 2011 and 1 January 2012	2,630
Additions	24
Disposal	(63)
Disposal of subsidiaries	(21)
Exchange alignment	77
Balance at 31 December 2012	2,647
Accumulated depreciation and impairment:	
Balance at 1 January 2011	166
Charge for the year	328
Disposal written off	(21)
Exchange alignment	6
Balance at 31 December 2011 and 1 January 2012	479
Charge for the year	436
Disposal written off	(34)
Disposal of subsidiaries	(12)
Exchange alignment	55
Balance at 31 December 2012	924
Carrying amount:	
Balance at 31 December 2012	**1,723**
Balance at 31 December 2011	2,151

Notes to the Financial Statements

For the year ended 31 December 2012

16. GOODWILL

The Group

	HK$'000
Cost:	
Balance at 1 January 2011	10,386
Exchange alignment	275
Balance at 31 December 2011 and 1 January 2012	10,661
Exchange alignment	138
Balance at 31 December 2012	10,799
Accumulated impairment:	
Balance at 1 January 2011, 31 December 2011 and 1 January 2012	–
Impairment loss recognised for the year	5,395
Balance at 31 December 2012	5,395
Carrying amount:	
Balance at 31 December 2012	**5,404**
Balance at 31 December 2011	10,661

Impairment testing on goodwill

For the purpose of impairment testing, goodwill with indefinite useful lives have been allocated to cash-generating unit ("CGU") determined based on the related segment. The carrying amount of goodwill (net of impairment loss) at 31 December 2012 and 2011 allocated to this unit is as follows:

	2012 **HK$'000**	2011 HK$'000
Manufacturing and sales of environmentally friendly air-conditioners and related products	**5,404**	10,661

Before recognition of impairment losses, the carrying amount of goodwill was allocated to cash generating unit as follow:

	2012 **HK$'000**	2011 HK$'000
Manufacturing and sales of environmentally friendly air-conditioners and related products	**10,799**	10,661

Notes to the Financial Statements

For the year ended 31 December 2012

16. GOODWILL *(Continued)*

Manufacturing and sales of air-conditioners and related products

The goodwill associate with manufacturing and sales of environmentally friendly air-conditioners and related products arose when that business was acquired by the Group in 2010. During the financial year, the market condition and demand for evaporative air-conditioners was slowdown. Domestic and international economic environment has not fully recovered on a macro level. From a micro level, the Company also faced price war launched by many small size factories in Jiangsu and Zhejiang provinces for clearing inventory. The directors determined to write off the goodwill directly related to manufacturing and sales of environmentally friendly air-conditioners and related products amounting to HK$5,395,000 (2011: Nil). As consider by the directors, no other write-down of the assets of manufacturing and sales of environmentally friendly air-conditioners and related products is necessary.

The impairment loss has been included in profit or loss in the "other gains and losses" line item.

The recoverable amount of the manufacturing and sales of environmentally friendly air-conditioners and related products CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a three-year period approved by the management. Cash flow projects during the budget period are based on the expected gross margins and raw materials price inflation throughout the budget period. The discount rate applied to the cash flow projections is 15.21% (2011: 14.73%).

The key assumptions used in the value in use calculations for CGU allocated to manufacturing and sales of environmentally friendly air-conditioners and related products are as follows:

Assumed growth rate:	The cash flows beyond that five-year period have been extrapolated using a steady 3.1% (2011: 3%) per annum growth rate which is the projected long-term average growth rate for the air-conditioners and related products. The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of the group of units to exceed the aggregate its recoverable amount.

Apart from the considerations described above in determining the value in use of the CGU, the Company's management is not aware of any other probable changes that would necessitate changes in the key assumptions.

17. OTHER ASSETS

	The Group HK$'000
At cost	
Balance at 1 January 2011	590
Exchange alignment	19
Balance at 31 December 2011 and 1 January 2012	609
Exchange alignment	5
Balance at 31 December 2012	614
Accumulated impairment:	
Balance at 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	–
Carrying amount:	
Balance at 31 December 2012	**614**
Balance at 31 December 2011	609

Note:

Other asset is a club membership which represent entrance fee paid to a golf club held on long-term basis.

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**128**	128
Less: Impairment	**–**	–
	128	128
Amounts due from subsidiaries	**41,360**	39,469
Less: Provision for amounts due from subsidiaries	**(17,356)**	(15,465)
	24,004	24,004
	24,132	24,132

The carrying amounts of amounts due from subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from respective subsidiaries.

The amounts due from subsidiaries are unsecured, interest-free and not repayable within twelve months from 31 December 2012. In the opinion of the directors, the settlement of these amounts due from subsidiaries is neither planned nor likely to occur in the foreseeable future and in substance, these amounts are extensions of the Company's investments in these subsidiaries.

Notes to the Financial Statements

For the year ended 31 December 2012

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the Company's subsidiaries at 31 December 2012 are as follows:

Name of Subsidiary	Place of incorporation and kind of legal entity	Issued and paid-up share capital	Percentage of issued capital held by the Company Directly	Percentage of issued capital held by the Company Indirectly	Principal activities and place of operations
8192 Limited	Hong Kong, limited liability company	1 ordinary share of HK$1	100%	–	Provision of services in Hong Kong
China Glory International Holdings Limited	Hong Kong, limited liability company	1 ordinary share of HK$1	100%	–	Dormant
SINO CMB (Group) Holding Company Limited	Hong Kong, limited liability company	1 ordinary share of HK$1	100%	–	Dormant
Energy China Investment Company Limited	Hong Kong, limited liability company	50,000 ordinary shares of HK$50,000	100%	–	Investment holding
Global Petroleum Holding Resource Limited	British Virgin Islands	Registered and paid up capital of USD10,000	100%	–	Dormant
中達博誠能源科技(深圳)有限公司	The PRC, limited liability company	Registered and paid up capital of RMB10,467,840	–	100%	Investment holding
深圳市順天運環保科技有限公司	The PRC, limited liability company	Registered and paid up capital of RMB20,000,000	–	51%	Manufacturing and sales of environmentally friendly air-conditioners and related products
深圳市瑞風節能環保設備有限公司	The PRC, limited liability company	Registered and paid up capital of RMB500,000	–	51%	Manufacturing and sales of environmentally friendly air-conditioners and related products

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year. The financial statements of the above subsidiaries have been audited by HLB Hodgson Impey Cheng Limited, Hong Kong for statutory purpose and/or for the purpose of group consolidation.

Notes to the Financial Statements

For the year ended 31 December 2012

19. INVENTORIES

	The Group	
	2012	2011
	HK$'000	HK$'000
Raw materials	**1,380**	1,255
Semi-finished products	**3,556**	7,291
Finished goods	**8,253**	7,177
	13,189	15,723
Less: Impairment loss recognised	**(2,076)**	–
	11,113	15,723

20. TRADE RECEIVABLES

	The Group	
	2012	2011
	HK$'000	HK$'000
Trade receivables	**5,708**	9,448
Less: Impairment losses recognised on trade receivables	**(1,906)**	(2,996)
	3,802	6,452

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

For the year ended 31 December 2012, the Group allows a credit period of 30–180 days (2011: 30 days) to its trade customers. The following is an ageing analysis of trade receivables at the end of the reporting period:

	2012	2011
	HK$'000	HK$'000
0–90 days	**2,870**	2,485
91–180 days	**932**	3,967
	3,802	6,452

The Group's trade receivables that were past due at the end of the reporting period had been impaired entirely.

Notes to the Financial Statements

For the year ended 31 December 2012

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits paid and prepayments to suppliers	**11,227**	7,228	**305**	308
Other deposits and receivables	**948**	1,366	**–**	–
Value added tax receivables	**271**	1,166	**–**	–
	12,446	9,760	**305**	308

22. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**1,292**	8,944	**865**	466

The effective interest rates of the bank balances of the Group and the Company ranged from 0.5% to 1.1% (2011: 0.5% to 1.1%) per annum.

Included in bank and cash balances of the Group is HK$326,000 (2011: HK$7,395,000) of bank balances dominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

23. AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary was unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

For the year ended 31 December 2012

24. TRADE PAYABLES

The Group was granted by its suppliers credit periods ranging from 30 to 180 days. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
0–90 days	**273**	541
91–180 days	**818**	182
181–365 days	**98**	–
Over 365 days	**6**	2,376
	1,195	3,099

25. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**668**	1,080	**388**	475
Receipt in advances	**288**	1,493	**–**	–
Other payables	**4,912**	5,077	**–**	–
	5,868	7,650	**388**	475

26. AMOUNTS DUE TO RELATED PARTIES

As at 31 December 2012, included in amounts due to related parties, there was an amount due to a director of the Company, Mr. Zhang Shi Min, of approximately HK$1,228,000 (2011: Nil).

The amounts due to related parties are unsecured, interest-free and repayable on demand.

27. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured, interest-free and repayable on demand.

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28. BANK BORROWING

	The Group	
	2012	2011
	HK$'000	HK$'000
Bank borrowing – secured	**–**	6,044
On demand or within one year	**–**	6,044

The contractual floating interest rate per annum is respect of borrowing was within the following range:

	The Group	
	2012	2011
	HK$'000	HK$'000
On demand or within one year	**–**	7.84-8.31%

The fair value of the short-term borrowing approximates their carrying amount.

The collateral for the Group's bank borrowing is as follow:

	The Group	
	2012	2011
	HK$'000	HK$'000
Trade receivables of a subsidiary	**–**	4,862

As at 31 December 2011, the Group's bank borrowing of approximately HK$6,044,000 was guaranteed by four parties, which are two senior management staffs of a subsidiary, a subsidiary of the Group and an independent third party. The bank borrowing had been fully repaid during the reporting period.

As at 31 December 2011, the carrying amount of the Group's bank borrowing is denominated in Renminbi.

29. SHARE CAPITAL

	2012		2011	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.0005 each at end of year	**40,000,000**	**20,000**	40,000,000	20,000
Issued and fully paid:				
Ordinary shares of HK$0.0005 each at end of year	**12,548,000**	**6,274**	12,548,000	6,274

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30. SHARE OPTION SCHEME

The New Share Option Scheme

The share options scheme has been adopted and adopted by the shareholders of the Company at the annual general meeting on 9 May 2012 (the "New Share Option Scheme"). The purpose of the New Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group and to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest.

The number of shares which may be issued under the New Share Option Scheme is subject to the following limited:

(i) The maximum number of Shares which may be issued upon exercise of all outstanding options granted under the New Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the total number of Shares in issue from time to time; and

(ii) The total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the total number of Shares in issue as at the adoption.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme and any other share option schemes of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the total number of Shares in issue for the time being. Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of the Company.

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be determined and notified by the Board to each grantee (the "Option Period"), save that such period shall end in any event not later than ten years from the date of grant of the option and subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the New Share Option Scheme for the holding of an option before it can be exercised.

No option has been granted or remained outstanding for the year ended 31 December 2012.

Terminated Share Option Scheme

The Terminated Share Option Scheme was adopted for a period of 10 years commencing from 26 October 2002 pursuant to a written resolution of the sole member passed on 26 October 2002 for the primary purpose of providing incentives or rewards to directors and eligible employees. Under the Share Option Scheme, the Company may grant options to eligible employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. In addition, under the Share Option Scheme, the Company may, from time to time, grant share options to any contractor, supplier, customer, agent or advisor, of the Group at the discretion of the board of directors.

The number of shares which may be issued under the Share Option Scheme is subject to the following limits:

(i) the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of issued shares of the Company from time to time; and

(ii) as refreshed by the shareholders in the general meeting on 5 May 2008, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is not permitted to exceed 556,800,000 shares, representing 10% of the issued share capital of the Company at 5 May 2008.

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For the year ended 31 December 2012

30. SHARE OPTION SCHEME *(Continued)*

Terminated Share Option Scheme *(Continued)*

A nominal consideration of HK$10 is payable upon acceptable of the grant of the options. The exercise price is determined by the directors of the Company and will be the highest of: (a) the closing price of the ordinary shares of the Company on the date of offer; (b) the average of the closing prices of the ordinary shares of the Company for the five business days immediately preceding the date of offer; and (c) the nominal value of the ordinary shares of the Company.

Any options granted under the Share Option Scheme must be exercised during such option period as may be determined and notified by the directors of the Company, which shall not exceed 10 years from the date of grant of the options.

No options had been granted or remained outstanding for each of the years ended 31 December 2011.

31. WARRANTS

On 27 April 2012, the Company entered into the placing agreement to place 1,000,000,000 warrants conferring rights to subscribe for HK$150,000,000 in aggregate in cash, for 1,000,000,000 new shares at the exercise price of HK$0.15 per share warrants. The warrants entitle the holders to subscribe for the subscription shares at HK$0.15 per subscription share for a period of 24 months commencing from the date of issue of the warrants. The warrants were placed at the placing price of HK$0.005 per warrant. The placing was completed on 10 May 2012. The entire number of non-listed warrant had been issued to two independent third parties at total placing price of HK$5,000,000. Details of the completion have been disclosed in the Company's announcement dated 10 May 2012.

At 31 December 2012, the Company had outstanding 1,000,000,000 warrants and their exercise would result in the issuance of 1,000,000,000 shares. Subsequent to the end of the reporting period, the Company has completed a share consolidation on 7 February 2013. The exercise price of the warrants has been adjusted to HK$1.50 per consolidated share. Accordingly, the warrants will entitle the holders thereof to subscribe for a total of 100,000,000 consolidated shares upon full exercise of the warrants instead of the 1,000,000,000 shares.

32. RESERVES

The Company

	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011	70,009	1,030	742	–	(36,772)	35,009
Net loss for the year	–	–	–	–	(18,920)	(18,920)
At 31 December 2011 and 1 January 2012	70,009	1,030	742	–	(55,692)	16,089
Placing of non-listed warrants (Note 31)	–	–	–	4,752	–	4,752
Net loss for the year	–	–	–	–	(7,919)	(7,919)
At 31 December 2012	**70,009**	**1,030**	**742**	**4,752**	**(63,611)**	**12,922**

The contributed surplus of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the group reorganisation in 2002 and the nominal amount of the Company's shares issued for the acquisition.

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33. OPERATING LEASE COMMITMENTS

As at 31 December 2012, the total future minimum lease payments of the Group under non-cancellable operating lease in respect of rented premises are payable as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**3,793**	4,302
In the second to fifth years inclusive	**3,627**	5,996
	7,420	10,298

The Group leases an office premise under operating leases. The leases run for an initial period from four to five years, without any option to renew the lease terms at the expiry date and do not include any contingent rentals.

34. DISPOSAL OF SUBSIDIARIES

(a) On 18 May 2012, the Group disposed of a wholly-owned subsidiary, UURG (China) Limited and its subsidiary, which provided provision of information technology and engineering consultancy services at a consideration of HK$2.

The net liabilities disposed in the transaction were as follows:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	**9**
Inventories	**77**
Deposits and other receivables	**198**
Cash and cash equivalents	**19**
Trade payables	**(2,435)**
Accruals and other payables	**(616)**
Amount due to a shareholder	**(20)**
	(2,768)
Satisfied by:	
Consideration received and receivable	**–**
Net liabilities disposed of	**2,768**
Exchange difference	**98**
Gain on disposal of subsidiaries	**2,866**
Net cash inflow arising on disposal:	
Cash and cash equivalents disposed	**(19)**
Cash on consideration	**–**
	(19)

For the period from 1 January 2012 to the date of disposal, the turnover and loss contributed by UURG (China) Limited and its subsidiary of approximately HK$69,000 and HK$680,000 respectively have recognised in the Group's result for the year ended 31 December 2012.

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34. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) On 11 August 2011, the Group disposed of UURG Hong Kong Limited which provided general service to the Group companies at a consideration of HK$2. The disposal was completed on 11 August 2011.

	2011 HK$'000
Net liabilities disposed of:	
Accrual and other payable	(30)
	(30)
Satisfied by:	
Consideration received and receivable	–
Net liabilities disposed of	30
Gain on disposal of a subsidiary	30
Net cash inflow arising on disposal:	
Cash and cash equivalents disposed	–
Cash on consideration	–
	–

For the period from 1 January 2011 to the date of disposal, the loss contributed by UURG Hong Kong Limited of approximately HK$200,000 has recognised in the Group's loss for the year ended 31 December 2011.

35. RELATED PARTY TRANSACTIONS

Save as disclosed in note 14, 18, 23, 26, 27 and 30, the Group had also entered into the following party transaction during the reporting period.

	2012 **HK$'000**	2011 HK$'000
Total remuneration of directors and other members of key management during the year was as follows:		
Retirement benefit, scheme contribution		
Short term benefits	**2,550**	3,495
Post-employment benefit	**65**	14
	2,615	3,509

36. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2012 (2011: Nil).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest risk and certain other price risks, which result from both its operating and investing activities. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether these changes are caused by factors specific to the individual financial instrument or its issuers, or factors affecting all similar financial instrument traded in the market. The Group does not have written risk management policies and guidelines. However, the directors closely monitor and focus on actively securing the Group's short to medium term cash flows by minimising the exposure to financial market.

The Group does not actively involve in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

(i) Interest rate risk

The Group's exposure to changes in interest rates mainly due to cash and cash equivalents which earn interest at floating rates. However, the directors are of the opinion that the sensitivity of the Group's result for the year to the reasonably possible change in interest rate in the coming twelve months is considered as minimal.

(ii) Foreign currency risk

The Group mainly operates in Hong Kong and the PRC. The functional currencies of the Company and its subsidiaries are mainly HK$ and RMB with certain of their business transactions being settled in RMB. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. As the functional currency of the PRC subsidiary is also RMB, thus, the management considered the foreign exchange exposure is minimal.

(iii) Credit risks

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfil its obligation which results in financial loss. The carrying amounts of cash and cash equivalents and trade and other receivables included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arises when the Group has significant exposure to individual customers. At the end of the reporting period, 45.2% (2011: 9.0%) of the total trade receivables was due from the Group's largest customer.

(iv) Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for longterm financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs are identified monthly.

The Group's liquidity is dependent upon the cash received from its customers. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

As at 31 December 2012 and 31 December 2011, the remaining contractual maturities of the Group's and the Company's financial liabilities which are based on contractual undiscounted cash flows are summarised below:

Notes to the Financial Statements

For the year ended 31 December 2012

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iv) Liquidity risk *(Continued)*

The Group

	Weighted average effective interest rate	Total carrying amount HK$'000	Total undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000
At 31 December 2012					
Trade payables	**–**	**1,195**	**1,195**	**1,195**	**–**
Other payables	**–**	**5,580**	**5,580**	**5,580**	**–**
Amounts due to related parties	**–**	**3,709**	**3,709**	**3,709**	**–**
Amount due to a shareholder	**–**	**5,628**	**5,628**	**5,628**	**–**
		16,112	**16,112**	**16,112**	**–**
At 31 December 2011					
Trade payables	–	3,099	3,099	3,099	–
Accruals and other payables	–	6,157	6,157	6,157	–
Amounts due to a related party	–	1,212	1,212	1,212	–
Amount due to a shareholder	–	2,000	2,000	2,000	–
Bank borrowings	8.11%	6,044	6,044	6,044	–
		18,512	18,512	18,512	–

The Company

	Weighted average effective interest rate	Total carrying amount HK$'000	Total undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000
At 31 December 2012					
Amount due to a shareholder	**–**	**5,650**	**5,650**	**5,650**	**–**
Amount due to a subsidiary	**–**	**68**	**68**	**68**	**–**
Accruals and other payables	**–**	**388**	**388**	**388**	**–**
		6,106	**6,106**	**6,106**	**–**
At 31 December 2011					
Amount due to a shareholder	–	2,000	2,000	2,000	–
Amount due to a subsidiary	–	68	68	68	–
Accruals and other payables	–	475	475	475	–
		2,543	2,543	2,543	–

Notes to the Financial Statements

For the year ended 31 December 2012

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(v) Summary of financial assets and liabilities by category

The carrying amounts of the Group's and the Company's financial assets and liabilities as recognised at 31 December 2012 and 2011 may be categorised as follows. See Note 3 for explanations about how the category of financial instruments affects their subsequent measurement.

(i) Financial assets

	The Group		**The Company**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents	**1,292**	8,944	**865**	466
Loans and receivables:				
Trade receivables	**3,802**	6,452	**–**	–
Other receivables	**22**	345	**–**	–
Amount due from subsidiaries	**–**	–	**21,399**	24,004
	5,116	15,741	**22,264**	24,470

(ii) Financial liabilities

Financial liabilities at amortised cost:

	The Group		**The Company**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities:				
Trade payables	**1,195**	3,099	**–**	–
Accruals and other payables	**5,580**	6,157	**388**	475
Amounts due to related parties	**3,709**	1,212	**–**	–
Amount due to a shareholder	**5,628**	2,000	**5,650**	2,000
Bank borrowing	**–**	6,044	**–**	–
Amount due to a subsidiary	**–**	–	**68**	68
	16,112	18,512	**6,106**	2,543

Notes to the Financial Statements

For the year ended 31 December 2012

38. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern;

(ii) to provide an adequate return to the owners of the Company;

(iii) to support the Group's sustainable growth; and

(iv) to provide capital for the purpose of potential mergers and acquisitions.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners of the Company; return capital to owners of the Company; issue new shares; or sell assets to reduce debt.

Management regards total equity presented below as capital, for capital management purpose.

	2012 HK$'000	2011 HK$'000
Total equity	**19,994**	34,295

Gearing ratio

The directors reviewed the capital structure on an annual basis. As part of this review, the directors considers the cost of capital and the risks associated with each class of capital

The gearing ratio at the end of the reporting period was as follows:

	2012 HK$'000	2011 HK$'000
Debts (Note 1)	**9,337**	9,256
Cash and cash equivalents	**(1,292)**	(8,944)
Net debt	**8,045**	312
Equity (Note 2)	**7,866**	20,164
Net debt to equity ratio	**102.3%**	1.5%

Notes:

1. Debt comprises amount due to related parties, amount due to a shareholder and bank borrowing as detail in Notes 26, 27 and 28 respectively.

2. Equity includes all capital and reserves attributable to owners of the Company.

39. CONTINGENT LIABILITIES

As at 31 December 2012, the Group and the Company had no material contingent liabilities.

40. PLEDGE OF ASSET

Asset with the following carrying amount has been pledged to secure bank borrowings of the group:

	2012 **HK$'000**	2011 HK$'000
Trade receivables (Note 18)	–	4,862

41. EVENTS AFTER THE REPORTING PERIOD

(i) On 21 January 2013, the Company proposed to implement the share consolidation on the basis that every ten issued and unissued shares of HK$0.0005 each in the share capital of the Company would be consolidated into one consolidated share of HK$0.005 each. The share consolidation had been completed and effective on 7 February 2013. Please refer the Company's announcement on 21 January 2013 and 6 February 2013 for detail.

(ii) As the share consolidation has become effective on 7 February 2013. The exercise price of the warrants has been adjusted to HK$1.50 per consolidated share. Accordingly, the warrants will entitle the holders thereof to subscribe for a total of 100,000,000 consolidated shares upon full exercise of the warrants instead of the 1,000,000,000 shares. Please refer the Company's circular dated 21 January 2013 for detail.

42. COMPARATIVE

Certain comparative amounts have been reclassified to conform with current year's presentation.

43. AUTHORISATION OF ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 19 March 2013.