Global Energy Resources International Group Limited

(continued in Bermuda with limited liability)
Stock Code: 8192

2013 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				
	2009 HK$'000	2010 HK$'000	2011 HK$'000 (restated)	2012 HK$'000	**2013** **HK$'000**
RESULTS					
Turnover	14,553	4,796	25,385	9,662	**6,975**
Loss before taxation	(9,352)	(17,896)	(19,766)	(20,188)	**(15,308)**
Taxation	43	(25)	(342)	(71)	**(4)**
Loss for the year	(9,309)	(17,921)	(20,108)	(20,259)	**(15,312)**

	At 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	16,349	59,157	54,300	36,394	**75,994**
Total liabilities	(10,371)	(17,254)	(20,005)	(16,400)	**(28,937)**
Net assets	5,978	41,903	34,295	19,994	**47,057**

Corporate Information

EXECUTIVE DIRECTORS

Mr. Zhang Shi Min (Deputy Chairman)
Mr. Chan Kwok Wing *(Chief Executive Officer) (appointed on 7 November 2013)*
Mr. Chen Hong Bo *(appointed on 3 January 2014)*
Ms. Ge Yan Hong *(appointed on 3 January 2014)*
Mr. Qie Bing Bing *(resigned on 3 January 2014)*
Mr. Zhao Yan Jie *(appointed on 9 May 2013 and resigned on 7 November 2013)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wah
Mr. Fung Hoi Wing, Henry
Mr. Yeung Chun Wai, Anthony *(appointed on 28 February 2014)*
Mr. Gao Jin Lu *(appointed on 19 March 2013 and resigned on 28 February 2014)*

COMPANY SECRETARY

Ms. Li Shan Mui, HKICPA, FCCA and CTA

COMPLIANCE OFFICER

Mr. Chan Kwok Wing *(appointed on 3 January 2014)*
Mr. Zhang Shi Min *(resigned on 3 January 2014)*

AUDIT COMMITTEE

Mr. Leung Wah *(Chairman)*
Mr. Fung Hoi Wing, Henry
Mr. Yeung Chun Wai, Anthony *(appointed on 28 February 2014)*
Mr. Gao Jin Lu *(appointed on 19 March 2013 and resigned on 28 February 2014)*

NOMINATION COMMITTEE

Mr. Leung Wah *(Chairman)*
Mr. Zhang Shi Min
Mr. Chan Kwok Wing *(appointed on 7 November 2013)*
Mr. Fung Hoi Wing, Henry
Mr. Yeung Chun Wai, Anthony *(appointed on 28 February 2014)*
Mr. Gao Jin Lu *(appointed on 19 March 2013 and resigned on 28 February 2014)*

REMUNERATION COMMITTEE

Mr. Leung Wah *(Chairman)*
Mr. Zhang Shi Min
Mr. Chan Kwok Wing *(appointed on 7 November 2013)*
Mr. Fung Hoi Wing, Henry
Mr. Yeung Chun Wai, Anthony *(appointed on 28 February 2014)*
Mr. Gao Jin Lu *(appointed on 19 March 2013 and resigned on 28 February 2014)*

CORPORATE GOVERNANCE COMMITTEE

Mr. Leung Wah *(Chairman)*
Mr. Fung Hoi Wing, Henry
Mr. Yeung Chun Wai, Anthony *(appointed on 28 February 2014)*
Mr. Gao Jin Lu *(appointed on 19 March 2013 and resigned on 28 February 2014)*
Mr. Qie Bing Bing *(resigned on 3 January 2014)*

AUTHORISED REPRESENTATIVES

Ms. Li Shan Mui, HKICPA, FCCA and CTA
Mr. Chan Kwok Wing *(appointed on 7 November 2013)*
Mr. Zhang Shi Min *(resigned on 7 November 2013)*

AUDITORS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3008-10, 30th Floor
Tower 6, The Gateway
Harbour City
9 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
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 2013 (the"Annual Report").

BUSINESS AND FINANCIAL OVERVIEW

During the year, the Group's turnover amounted to approximately HK$6,975,000 (2012: HK$9,662,000) representing a decrease of approximately 27.8% compared with the previous year. The percentage of decrease was within our expectation. This was mainly due to the continuous economic slowdown in China and the market remained full of uncertainties. Many competitors kept launching price war to clear inventory which further intensified the competition in air-conditioner market. After estimated the financial result of launching the price war, the company would not adopt this pricing policy. As a result, we lost some customers. However, our gross profit margin was improved by approximately 6.5% in comparison with the previous year.

During the year, the Company received positive feedbacks from customers over the new products introduced in the market including Water Curtain Fan and the central air-conditioner, the former was more acceptable by the market due to its relatively lower price, less installation time needed and can easily be operated by the distributors. The later generally could meet the requirement of some high-end users because it saves more energy while maintaining the cooling effect of traditional air-conditioner. During the second half year, the proportion of sales generated from selling new products was higher than expected. However, It is anticipated that the turnover of the air-conditioner and related-products will further decrease for the forthcoming year due to fierce competition in the market.

Having considered the pessimistic outlook on the air-conditioner business, the Group will improve its return by exploring other potential business opportunity. The Company has carried out two fund raising activities, an open offer and a placing under the general mandate, during the 12 months immediately preceding the date of this report in order to increase its financial resources, repayment of the shareholder loan and to further develop its environmental friendly business while broadening its shareholder and capital base.

PROSPECTS

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 even the recently published economic data showing its economic growth has slowdown.

The Group will continue to adopt strict cost control policies in managing our operations and enhance our strengths even we have sufficient working capital for the forthcoming year. Upon the open offer and placing of the Company completed on 31 December 2013 and 7 February 2014 respectively, it not only strengthens the Group's working capital, but also supports the Group to explore other potential business opportunities aggressively. Currently, the Company reserves a fund of approximately HK$97 million for investment in environmental friendly business, including but not limited, in the energy conservation and emission reduction business 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
Deputy Chairman and Executive Director

Hong Kong, 19 March 2014

Management Discussion and Analysis

GENERAL

The Group is principally engaged in the manufacturing and sales of environmentally friendly air-conditioners and related products.

FINANCIAL REVIEW

Results

During the year under review, the Group recorded a turnover of approximately HK$6,975,000 (2012: approximately HK$9,662,000), representing a decrease of approximately 27.8% in turnover as compared with previous year. The decrease in turnover was attributable to the economic slowdown in China and fierce competition in the air-conditioner market in China. Loss attributable to owners of the Company for the year ended 31 December 2013 amounted to approximately HK$14,859,000 (2012: approximately HK$19,371,000 (before the gain from the discontinued operation)), representing a decrease of approximately 23.3% as compared with previous year. The decrease in the loss attributable to owners of the Company was due to our continuous effective cost control, as a result, selling and distribution, and administrative expenses further decreased during the year.

During the year, there was further impairment loss of approximately HK$5,508,000 recognized on the goodwill which was a goodwill (the “Goodwill”) recorded after the completion of the acquisition of 51% the equity interest of Shenzhen Shun Tian Yun Environmental Technology Limited made by the Group in September 2010 (impairment loss recognized on the Goodwill for the year ended 31 December 2012: approximately HK$5,395,000). Detail of the Goodwill is set out in note 16 to the financial statements of the Annual Report.

Liquidity, financial resources and capital structure

As at 31 December 2013, the Group had assets of approximately HK$75,994,000 (2012: approximately HK$36,394,000), including net cash and bank balances of approximately HK$43,179,000 (2012: approximately HK$1,292,000). There was no charge on the Group’s assets as at 31 December 2013 (2012: Nil).

During the year under review, the Group financed its operations with internally generated cash flow, the Short Term Loans (as defined below) and the Shareholder Loan (as defined below).

Open offer

The Directors considered that it was prudent to finance the repayment of the Shareholder Loan (as defined below) and the expansion of the Group’s business by equity financing as it would not increase the Group’s finance costs and risk level and yet would provide the Group with the necessary financial resources as and when appropriate investment opportunities arise. As such, the Directors considered that the Open Offer (as defined below) was in the interests of the Company and the Shareholders as a whole as it offered all the qualifying shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the qualifying shareholders to maintain their proportionate interests in the Company and continues to participate in the future development of the Group should they wish to do so.

On 11 November 2013, the Company entered an underwriting agreement with Kingston Securities Limited in connection with the open offer (as defined below) and the closing price of HK$0.138 per Share as quoted on the Stock Exchange. Pursuant to the agreement, on 31 December 2013, the Company completed an open offer for a total of 627,400,000 new ordinary shares of nominal value of HK$3,137,000 in the capital of the Company at a subscription price of HK$0.07 per offer share to the shareholders of the Company on the basis of one offer share for every two shares held on the record date, 5 December 2013, (the “Open Offer”). The net proceeds raised from the Open Offer in aggregate amount and net price were approximately HK$41,957,000 and approximately HK$0.0669 per Share respectively which was intended to be used (i) as to approximately HK$11,480,000 for repayment of the Shareholder Loan (as defined below); (ii) as to approximately HK$18,000,000 for future investment of the Group in related business, in particular the energy saving and environmentally friendly business; and (iii) the remaining of approximately HK$12,480,000 for the Group’s general working capital. As at the date of the Annual Report, the entire amount of proceeds has been allocated as follows: (i) approximately HK$11,480,000 for repayment of the Shareholder Loan (as defined below); (ii) approximately HK$938,000 for investment of the Group in related business and the balance is currently kept in an interest bearing bank account pending for usage; and (iii) approximately HK$7,700,000 for the Group’s general working capital and the balance is currently kept in an interest bearing bank account pending for usage.

Placing

The Directors considered various ways of raising funds and believed that the Placing (as defined below) represented an opportunity to raise capital for the Group to further develop its environmental friendly business while broadening its Shareholder and capital base. Accordingly, the Directors are of the view that the Placing was in the best interest of the Company and its Shareholders as a whole.

On 24 January 2014, the Company entered a placing agreement with Kingston Securities Limited in connection with the Placing (as defined below) and the closing price of HK$0.45 per Share as quoted on the Stock Exchange. Pursuant to the agreement, on 7 February 2014, the Company completed a placing for a total of 250,960,000 new ordinary shares of nominal value of HK$1,254,800 in the capital of the Company at a price of HK$0.39 per placing share to not less than six independent third parties (the "Placing"). The net proceeds raised from the Placing in aggregate amount and net price were approximately HK$95,300,000 and approximately HK$0.38 per Share respectively which was intended to be used (i) as to approximately HK$80,000,000 for future investment of the Group in environmental friendly business, in particular the energy saving and emission reduction business; and (ii) as to the remaining balance of approximately HK$15,300,000 for general working capital of the Group. As at the date of the Annual Report, the entire amount of proceeds is currently kept in an interest bearing bank account pending for usage.

Non-Listed Warrants

On 27 April 2012 the Company entered into a placing agreement with the placing agent, CES Capital International (Hong Kong) Company Limited, in connection with the Warrant (as defined below) and the closing price of HK$0.147 per Share as quoted on the Stock Exchange. Pursuant to the placing agreement, on 10 May 2012, the Company successfully placed an aggregate of 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 aggregate of 1,000,000,000 Warrants were issued to two independent placees, of which 500,000,000 Warrants to each of Mr. Lee Wang Hin and Mr. Lau Ying Sat. The Board considered that the placing of the Warrant represented good opportunities to raise additional funds for the Company while broadening the Shareholder and capital base of the Company.

As at 31 December 2012, the entire amount of net proceeds of approximately HK$5,000,000 from the placing of the Warrants had been utilized (i) as to approximately HK$3,500,000 for repayment of part of the Shareholder Loan (as defined below); and (ii) as to approximately HK$1,500,000 for general working capital of the Group.

Number and the exercise price of the Warrant were subsequently adjusted to 100,000,000 Warrants and HK$1.5 per Share respectively due to the Share Consolidation effective from 7 February 2013, and were further adjusted to 150,000,000 Warrants and HK$1.00 per Share respectively due to the Open Offer effective from 31 December 2013.

As at the date of the Annual Report, no Warrants have been exercised by any registered warrant holders of the Company.

Capital structure

During the year ended 31 December 2013, a total of 627,400,000 new ordinary shares of par value of HK$0.005 each were issued by the Company pursuant to the Open Offer (2012: Nil).

A total of 250,960,000 new ordinary shares of par value of HK$0.005 each were issued by the Company pursuant to the Placing on 7 February 2014.

Gearing

As at 31 December 2013, (i) the Company had three outstanding short term loans in the amounts of HK$1,500,000, HK$500,000 and HK$300,000 respectively from an independent third party which were unsecured, a three-months term, and at a fixed rate of 10% per annual each (the "Short Term Loans") (31 December 2012: Nil); (ii) the Company had an outstanding loan of HK$11,480,000 due to the controlling and substantial shareholder of the Company, Sound Treasure

Holdings Limited, which was unsecured, interest-free and repayable on demand (the "Shareholder Loan") (31 December 2012: HK$5,628,000); and (iii) The Company had outstanding loan of approximately HK$5,877,000 due to the related parties which has unsecured, interest-free and repayable on demand (2012: HK$3,709,000). As at the date of the Annual Report, the Short Term Loans and the Shareholder Loan have been settled. The gearing ratio of the Group, defined as the ratio between net debt and total equity attributable to owners of the Company, was approximately 0% for the year ended 31 December 2013 (31 December 2012: approximately 102.3%).

Details of the Group's gearing ratio are set out in note 39 to the financial statements of the Annual Report.

Segment information

During the year under review, the Group's operation is regarded as a single business segment which is manufacturing and sales of environmentally friendly air-conditioners and related products. 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 not been presented for the year as they are substantially generated from or situation in the China.

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

SIGNIFICANT INVESTMENTS

Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies

The Company did not have any material acquisitions or disposal of subsidiaries and affiliated companies during the year.

Contingent liabilities

As at 31 December 2013, 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 2013 were denominated either in Hong Kong dollars ("HK$") or Renminbi ("RMB"), and most of the assets and liabilities as at 31 December 2013 were denominated either in HK$ 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

The Group is seeking for investment opportunities in the environmental friendly business, including but not limited, in the energy conservation and emission reduction business in order to expand the source of income and prospectus of the Group.

Employees and remuneration policies

As at 31 December 2013, the Group had 80 (2012: 82) full-time employees in Hong Kong and the PRC. Total staff costs (including Directors' remuneration) were approximately HK$4,778,000 for the year ended 31 December 2013 (2012: approximately HK$5,581,000). 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 56, is the Deputy Chairman, an executive Director, a member of each of the nomination committee and remuneration committee of the Board, and a director in a 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. Chan Kwok Wing, aged 56, was appointed as an executive Director on 7 November 2013 with effect from 8 November 2013. He is also the Chief Executive Officer, a member of each of the remuneration committee and nomination committee of the Board, authorised representative and compliance officer of the Company, and a director in a number of subsidiaries of the Group. Mr. Chan Graduated from Economics Studies at the Chinese University of Hong Kong in 1982. He has been working in securities brokerage and funds management professions. Mr. Chan has commenced and participated in projects financing and management since 1990. He wholly devoted to energy aspect in particular green power, petroleum and natural gas development arena since 2006. He led and participated in discussions on various energy projects in China and internationally. He was an executive director and chief executive officer of China Energy Development Holdings Limited (stock code: 228) and was an executive director of Energy International Investments Holdings Limited (stock code: 353), the shares of both companies are listed on the Main Board of the Stock Exchange.

Mr. Chen Hong Bo, aged 46, was appointed as an executive Director on 3 January 2014. Mr. Chen holds a Ph.D. in Economics Faculty of Huazhong University of Science & Technology. Mr. Chen joined Chinese Academy of Social Sciences, CASS and engaged in research into economic analysis of the climate change in 2003. Mr. Chen was supported by Chinese Government to study the energy-environment-economics model of the economics department of University of Cambridge in United Kingdom during the years from 2004 to 2005. Mr. Chen has worked for Institute of Urban and Environmental Studies Chinese Academy of Social Sciences since he returned back China, his main research areas are including carbon trading and carbon finance, low-carbon eco-city, energy conservation policies, etc. Mr. Chen has published thirty articles and five books in latest few years. Mr. Chen has been rewarded the Second Prize of 國家科技進步獎 (State Scientific and Technological Progress Prize*), the First Prize of 中華農業科技獎 (Zhonghua Agricultural Science and Technology Prize*) and the Second Prize of 中國環境保護科技獎 (Chinese Environmental Technology Prize*). Mr. Chen is currently an associate research fellow of Institute of Urban and Environmental Studies, CASS and deputy director of Sustainable Development Research Centre, CASS, and also a member of council in China Ecological Economics Society.

Ms. Ge Yan Hong, aged 43, was appointed as an executive Director on 3 January 2014. Ms. Ge graduated from Jiangxi Normal University in 1991. Ms. Ge was a sales director of 深圳太平洋壽險公司 (Shenzhen Pacific Life Insurance Company*) during the years from 1993 to 1999. Ms. Ge was an assistant of vice president of 金田股份有限公司 (Gintian Industry (Group) Co., Ltd.*) in Shenzhen, China, the share of which is listed on the Shenzhen Stock Exchange (Stock Code: 000003), during the years from 1999 to 2003. Ms. Ge has been deputy secretary of Shenzhen General Chamber of Commerce, China since 2003.

Mr. Qie Bing Bing, aged 29, has resigned as the Chief Investment Officer, an executive Director, and a member of the corporate governance committee of the Board on 3 January 2014. 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 49, is an independent non-executive Director, and the chairman of each of the audit committee, remuneration committee, nomination committee and corporate governance committee of the Board. He is a member of Hong Kong Institute of Certified Public Accountants, a member of Institute of Chartered Accountants in England and Wales and a fellow member of 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 is an executive director of Seamless Green China (Holdings) Limited (Stock code: 8150), the share of which is listed on the GEM Board of the Stock Exchange.

Mr. Fung Hoi Wing, Henry, aged 58, is an independent non-executive Director, and a member of each 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 (Stock code: 8163), the share of which is listed on the GEM Board of the Stock Exchange.

Mr. Yeung Chun Wai, Anthony, aged 38, was appointed as an independent non-executive Director, and a member of each of the audit committee, nomination committee, remuneration committee and corporate governance committee of the Board on 28 February 2014. Mr. Yeung graduated from the University of Hong Kong with a Bachelor Degree in Business Administration (Accounting and Finance). He is a fellow member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Currently he is Managing Partner and Chief Executive Officer of Quantum Capital Management Group, Inc. He was a senior banker in the investment banking industry and was mainly responsible for initiation and execution of fixed income products, derivative products, debt management, asset management and securities sales, and other related transaction in China and Hong Kong. He has proven track records & extensive experience in corporate restructuring & rescuing, consulting, corporate finance and business negotiation with well-versed business and people network in the region.

Mr. Gao Jin Lu, age 49, has resigned as an independent non-executive Director, and a member of each of the audit committee, nomination committee, remuneration committee and corporate governance committee of the Board on 28 February 2014. 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 54, is the asset management director of the Group and a director in two subsidiaries of the Group. 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 32, is the Chief Administrator of the Group and a director in a number of subsidiaries 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 who has resigned on 3 January 2014.

COMPANY SECRETARY

Ms. Li Shan Mui, Janice, is the company secretary and chief financial officer of the Company. Ms. Li has over 10 years of experience in auditing, accounting, budgeting, financial analysis in local and international companies, and has over 4 years of experience in company secretarial, corporate governance and finance in listed company. 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 of the Annual Report.

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 of the Annual Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Group and the Company at that date are set out on pages 27 to 29 of the Annual Report.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

SHARE CAPITAL

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

RESERVES

Details of movements in reserves of the Company and the Group during the year are set out in note 32 to the financial statements and the Consolidated Statement of Changes in Equity is set out on page 30 of the Annual Report.

The Company had no reserves available for distribution to the shareholders of the Company as at 31 December 2013 (2012: 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 the 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 of the Annual Report.

Directors' Report

DIRECTORS

The Directors during the year ended 31 December 2013 and up to the date of the Annual Report were as follows:

Executive Directors

Mr. Zhang Shi Min *(Deputy Chairman)*	
Mr. Chan Kwok Wing *(Chief Executive Officer)*	(appointed on 7 November 2013)
Mr. Chen Hong Bo	(appointed on 3 January 2014)
Ms. Ge Yan Hong	(appointed on 3 January 2014)
Mr. Qie Bing Bing	(resigned on 3 January 2014)
Mr. Zhao Yan Jie	(appointed on 9 May 2013 and resigned on 7 November 2013)

Independent non-executive Directors

Mr. Leung Wah	
Mr. Fung Hoi Wing, Henry	
Mr. Yeung Chun Wai, Anthony	(appointed on 28 February 2014)
Mr. Gao Jin Lu	(appointed on 19 March 2013 and resigned on 28 February 2014)

Pursuant to bye-law no. 87(1) of the Company's bye-laws (the "Bye-laws"), at least one-third of the Directors shall retire from office by rotation and pursuant to bye-law no. 86(2) of the Bye-laws, any Director so appointed by the 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. In this connection, Mr. Zhang Shi Min, Mr. Chan Kwok Wing, Mr. Chen Hong Bo, Ms. Ge Yan Hong and Mr. Yeung Chun Wai, Anthony shall retire from office at the conclusion of the forthcoming annual general meeting of the Company (the "AGM") and they, being eligible, will offer themselves for re-election.

The Company has received annual confirmations of independence from Mr. Leung Wah, Mr. Fung Hoi Wing, Henry, Mr. Gao Jin Lu and Mr. Yeung Chun Wai, Anthony respectively. Based on such confirmations of independence, the Board 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 the Annual Report, save as Mr. Gao Jin Lu resigned on 28 February 2014, the Board still considers them to be independent. 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 are set out in pages 8 to 10 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, Mr. Zhang Shi Min also acts as the Deputy Chairman and Mr. Qie Bing Bing also acted 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.

Mr. Chan Kwok Wing, the Chief Executive Officer, Authorized Representative, Compliance Officer and executive Director, has entered into a letter of employment with the Company on 2 January 2014. Under the letter of employment, he receives a basic salary per month. Any bonus, option shares, subsequent review will be at the discretion of the Board based upon his or her performance, diligence and loyalty, as well as the Company's business result, financial standing, market conditions and/or inflationary trends and such other factors as the Company may consider relevant in its absolute discretion. Either party may terminate the employment by serving the other party not less than one month written notice or payment of an amount equivalent to one month of the basic salary and allowances in lieu of notice at any time.

Each of the executive Directors, Mr. Chen Hong Bo and Ms. Ge Yan Hong, has entered into a letter of employment with the Company on 19 March 2014. Under the letter of employment, each of them receives a basic salary per month. Any bonus, option shares, subsequent review will be at the discretion of the Board based upon his or her performance, diligence and loyalty, as well as the Company's business result, financial standing, market conditions and/or inflationary trends and such other factors as the Company may consider relevant in its absolute discretion. Either party may terminate the employment by serving the other party not less than one month written notice or payment of an amount equivalent to one month of the basic salary and allowances in lieu of notice at any time.

Each of independent non-executive Directors, Mr. Leung Wah, Mr. Fung Hoi Wing, Henry, Mr. Yeung Chun Wai, Anthony and Mr. Gao Jin Lu, has signed a letter of appointment with the Company for one-year term.

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 2013, 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 of the Annual Report.

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 2013, 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 shares Interested	Capacity in which shares are held	Percentage of issued share capital
Sound Treasure Holdings Limited	517,000,000 *(Note 1)*	Beneficial owner	27.47% *(Note 1)*
Li Xiao Mei	517,000,000 *(Note 1)*	Interest in controlled corporation	27.47% *(Note 1)*
Li Yu	133,600,000 *(Note 2)*	Beneficial owner	6.26% *(Note 2)*

Notes:

1. As at 31 December 2013, the shares are held by Sound Treasure Holdings Limited ("Sound Treasure") incorporated in British Virgin Islands with limited liability, a company wholly owned by Li Xiao Mei. Sound Treasure has disposed the shares in January 2014 (the "Disposals"). After the Disposals, Sound Treasure ceased as the shareholder of the Company.

2. the shares are held by Li Yu as at the date of the Annual Report.

Save as disclosed above, as at 31 December 2013 and the date of the Annual Report, 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	78.0%
– five largest suppliers combined	89.1%
Sales	
– the largest customer	46.5%
– five largest customers combined	83.6%

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 2013.

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 2013 are set out in note 18 to the financial statements of the Annual Report.

CONNECTED TRANSACTIONS

Details of amount due to a shareholder are set out in note 27 to the financial statements of the Annual Report. As at 31 December 2013, the Group had an outstanding loan of HK$11,480,000 (2012: HK$5,628,000) 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 36 to the financial statements of the Annual Report. 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 2013.

PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of the 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 17 March 2014, the Company has changed its head office and principal place in Hong Kong to Room 3008-10, 30th Floor, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

On 7 February 2014, the Company completed a placing for a total of 250,960,000 new ordinary shares of par value of HK$0.005 each in the capital of the Company at a price of HK$0.39 per placing share to independent third parties. Details of the Placing are set out in the Company's announcements dated 24 January 2014 and 7 February 2014.

On 7 January 2014, the board lot size for trading in the shares of the Company has been changed from 16,000 shares to 32,000 shares. Details of the change are set out in the Company's announcement dated 11 December 2013.

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

AUDITORS

The Company has not changed its auditors in the preceding three years. The Company's auditors, HLB Hodgson Impey Cheng Limited ("HLB"), would retire at the AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB as the auditors of the Company for the forthcoming year is to be proposed by the Board at the AGM.

On behalf of the Board

Chan Kwok Wing
Chief Executive Officer and Executive Director

Hong Kong, 19 March 2014

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules (the "CG Code") throughout the year ended 31 December 2013, except for the code provision A.2.1 of the CG Code as disclosed below.

- The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The position of the chairman of the Board has become vacant since the resignation of Mr. Li Shan Jie on 22 November 2012. The Board will appoint a chairman to fill the vacancy when the appropriate candidate has been identified.

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 position of the chairman of the Board has become vacant since the resignation of Mr. Li Shan Jie on 22 November 2012. As at the date of the Annual Report, the Deputy Chairman is Mr. Zhang Shi Min who was appointed on 16 August 2013. The Chief Executive Officer is Mr. Chan Kwok Wing, who was appointed on 7 November 2013 with effect from 8 November 2013. Their respective responsibilities are clearly established and defined by the Board in writing. The Chairman or the Deputy 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 2013. 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 2013 and up to the date of the Annual Report were:

Executive Directors

Mr. Zhang Shi Min *(Deputy Chairman)*	
Mr. Chan Kwok Wing *(Chief Executive Officer)*	(appointed on 7 November 2013)
Mr. Chen Hong Bo	(appointed on 3 January 2014)
Ms. Ge Yan Hong	(appointed on 3 January 2014)
Mr. Qie Bing Bing	(resigned on 3 January 2014)
Mr. Zhao Yan Jie	(appointed on 9 May 2013 and resigned on 7 November 2013)

Independent non-executive Directors

Mr. Leung Wah	
Mr. Fung Hoi Wing, Henry	
Mr. Yeung Chun Wai, Anthony	(appointed on 28 February 2014)
Mr. Gao Jin Lu	(appointed on 19 March 2013 and resigned on 28 February 2014)

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 2013, 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**	**General Meetings** *(Note 2)*
Executive Directors						
Mr. Zhang Shi Min	4/4		2/2	3/3		2/2
Mr. Chan Kwok Wing *(Note 3)*	0/4		0/2	0/3		0/2
Mr. Qie Bing Bing *(Note 4)*	3/4				2/2	0/2
Mr. Zhao Yan Jie *(Note 5)*	0/4					0/2
Independent non–executive Directors						
Mr. Leung Wah	4/4	5/5	2/2	3/3	2/2	2/2
Mr. Fung Hoi Wing, Henry	4/4	5/5	2/2	3/3	2/2	2/2
Mr. Gao Jin Lu *(Note 6)*	2/4	3/5	0/2	1/3	1/2	0/2

Notes:

1. During the year ended 31 December 2013, saved as other meetings, the Board held four regular meetings.

2. The annual general meeting of the Company was held on 9 May 2013 and the special general meeting of the Company for its share consolidation was held on 6 February 2013.

3. Mr. Chan Kwok Wing was appointed as the Chief Executive Officer, Authorised Representative, executive Director and a member of each of the nomination committee, remuneration committee of the Board on 7 November 2013 with effect from 8 November 2013. Mr. Chan was further appointed as the Compliance Officer on 3 January 2014.

4. Mr. Qie Bing Bing resigned as the Chief Investment Officer, executive Director and a member of the corporation governance committee of the Board effective from 3 January 2014.

5. Mr. Zhao Yan Jie resigned as the Chief Executive Officer and executive Director on 7 November 2013 with effect from 8 November 2013.

6. Mr. Gao Jin Lu was appointed on 19 March 2013 and resigned on 28 February 2014 as independent non-executive Director and a member of each of the audit committee, nomination committee, remuneration committee, and corporation governance committee of the Board.

BOARD OF DIRECTORS *(Continued)*

Apart from the above four regular Board meetings held during the year ended 31 December 2013, 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 in the Directors and Senior Management Profiles section of the 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.

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 Board 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 the Annual Report, save as Mr. Gao Jin Lu resigned on 28 February 2014, the Board still considers them to be independent. 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 2013, 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/or 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. Chan Kwok Wing	(appointed in 7 November 2013)	A, C
Mr. Qie Bing Bing	(resigned on 3 January 2014)	C
Mr. Zhao Yan Jie	(appointed in 9 May 2013 and resigned on 7 November 2013)	C
Mr. Leung Wah		A, C
Mr. Fung Hoi Wing, Henry		B, C
Mr. Gao Jin Lu	(appointed on 19 March 2013 and resigned on 28 February 2014)	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 the executive Directors, Mr. Zhang Shi Min also acts as the Deputy Chairman and Mr. Qie Bing Bing also acted 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.

Mr. Chan Kwok Wing, the Chief Executive Officer, Authorized Representative, Compliance Officer and executive Director, has entered into a letter of employment with the Company on 2 January 2014. Under the letter of employment, he receives a basic salary per month. Any bonus, option shares, subsequent review will be at the discretion of the Board based upon his or her performance, diligence and loyalty, as well as the Company's business result, financial standing, market conditions and/or inflationary trends and such other factors as the Company may consider relevant in its absolute discretion. Either party may terminate the employment by serving the other party not less than one month's written notice or payment of an amount equivalent to one month of the basic salary and allowances in lieu of notice at any time.

Each of the executive Directors, Mr. Chen Hong Bo and Ms. Ge Yan Hong, has entered into a letter of employment with the Company on 19 March 2014. Under the letter of employment, each of them receives a basic salary per month. Any bonus, option shares, subsequent review will be at the discretion of the Board based upon his or her performance, diligence and loyalty, as well as the Company's business result, financial standing, market conditions and/or inflationary trends and such other factors as the Company may consider relevant in its absolute discretion. Either party may terminate the employment by serving the other party not less than one month written notice or payment of an amount equivalent to one month of the basic salary and allowances in lieu of notice at any time.

Each of independent non-executive Directors, Mr. Leung Wah, Mr. Fung Hoi Wing, Henry, Mr. Yeung Chun Wai, Anthony and Mr. Gao Jin Lu, has signed a letter of appointment with the Company for one-year term. 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 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 DIVERSITY POLICY

The Company has adopted a board diversity policy (the "Board Diversity Policy") in order to bring it in line with the amended code provisions A.3 and A.5 of the CG Code effective from 1 September 2013. The Board Diversity Policy sets out the general policy and measurable objectives based on a range of diversity perspectives.

The Company seeks to achieve diversity of board members through the consideration of a number of factors, including but not limited to gender, age, educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee has reviewed the composition of the Board under diversified perspectives. In order to achieve diversity of the board members, Ms. Ge Yan Hong has been nominated by the Nomination Committee for the Board becoming the only one female Director on 3 January 2014.

Diversity Policy, as appropriate, and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and make disclosure of its review results in the corporate governance report annually.

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"). Terms of reference of the Nomination Committee was revised and adopted by the Board on 16 September 2013 to bring it in line with the amended code provision A.5. of the CG Code effective from 1 September 2013. Terms of reference for each of the Remuneration Committee, Nomination Committee and Audit Committee have 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

As at the date of the Annual Report, the CG Committee comprises of three members, Mr. Leung Wah, Mr. Fung Hoi wing, Henry and Mr. Yeung Chun Wai, Anthony and all of them are independent 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 of the Company.

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 2013, two meetings of the CG Committee were held on 19 March 2013 and 9 August 2013, amongst others, to review the Company's corporate governance practices set out in the reports of the annual report 2012 and interim report 2013 and ensure the Company complies with all principles and provisions in the CG Code, and the attendance of the members are set out in the section headed BOARD OF DIRECTORS.

Nomination Committee

As at the date of the Annual Report, the Nomination Committee comprises of five members, Mr. Leung Wah, Mr. Zhang Shi Min, Mr. Chan Kwok Wing, Mr. Fung Hoi Wing, Henry and Mr. Yeung Chun Wai, Anthony, 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 (including the skills, knowledge, experience and diversity of perspectives) 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; reviewing the diversity policy of the Board and the progress on achieving the objectives set for implementing the said policy; 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 age, gender, education, background, professional experience, skills, qualification, knowledge, reputation and such other attributes.

During the year ended 31 December 2013, three meetings of the Nomination Committee were held on 19 March 2013, 9 May 2013 and 7 November 2013, amongst others, to review the structure, size and composition of the Board, assessing the continual independence of the independent non-executive directors, review the diversity policy of the Board, considering and recommending the re-election of the retiring Directors, nominate Mr. Zhao Yan Jie, Mr. Gao Jin Lu and Mr. Chan Kwok Wing as new executive Directors, and review the terms set out in the renewal of the letter of appointment for each of Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Gao Jin Lu as independent non-executive Directors, and the attendance of the members are set out in the section headed BOARD OF DIRECTORS.

BOARD COMMITTEES *(Continued)*

Remuneration Committee

As at the date of the Annual Report, the Remuneration Committee comprises of five members, Mr. Leung Wah, Mr. Zhang Shi Min, Mr. Chan Kwok Wing, Mr. Fung Hoi Wing, Henry and Mr. Yeung Chun Wai, Anthony, 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 2013, two meetings of the Remuneration Committee were held on 19 March 2013 and 9 May 2013, 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. Gao Jin Lu as independent non-executive Directors, review the remuneration for Mr. Zhao Yan Jie as the Chief Executive Officer and executive Director, and the attendance of the members are set out in the section headed BOARD OF DIRECTORS.

Details of the Directors' remuneration and the five highest paid individuals during the year are set out in notes 14 to the financial statements of the Annual Report.

Audit Committee

As at the date of the Annual Report, the Audit Committee comprises of three members, Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Yeung Chun Wai, Anthony, 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 2013, five meetings of the Audit Committee were held on 19 March 2013, 9 May 2013, 9 August 2013, 7 November 2013 and 23 December 2013, 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 2013 and the nine months ended 30 September 2013 and the interim results of the Group for the six months ended 30 June 2013, reviewing of related party transactions, re-appointment of the Company's auditors, HLB, discussing with HLB on internal control, auditors' independence and remuneration and the scope of work in relation to the annual audit, and the attendance of the members are set out in the section headed BOARD OF DIRECTORS.

The Group's accounts for the year ended 31 December 2013 have been audited by HLB whose term of office will expire upon the AGM. The Audit Committee has recommended to the Board that HLB be re-appointed as the auditors of the Company at the AGM.

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 2013 is sufficient to safeguard the interests of the shareholders and the Group's assets.

AUDITORS' REMUNERATION

During the year ended 31 December 2013, the Company's auditors, HLB, performed the work of statutory audit for the financial year ended 31 December 2012 and also the work of one non-statutory audit assignment for the Open Offer. The remunerations including disbursement paid or payable to HLB for the statutory audit and non-statutory audit are HK$318,668 (2012: HK$319,988) and HK$150,000 (2012: Nil) respectively.

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 the Annual Report.

COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary, Ms. Li Shan Mui, Janice. Ms. Li supports the Board by ensuring good information inflow within the Board and that board policy and procedures are followed. Ms. Li reports to the Board's deputy chairman and the Chief Executive Officer. Ms. Li's biography is set out in the Directors and Senior Management Profiles section of the Annual Report. During 2013, Ms. Li undertook over 15 hours of professional training to update her skills and knowledge.

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 2013, the annual general meeting was held on 9 May 2013 ("2013 AGM") and the special general meeting was held for the share consolidation of the Company on 6 February 2013. The auditors of the Company, HLB, attended the 2013 AGM to answer questions about the conduct of the audit, preparation and content of the auditors' report, the accounting policies and auditors' independence. The then 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 2013 AGM to answer questions at the meeting. All resolutions proposed at the 2013 AGM and at the special general meeting respectively 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 are set out in the section headed BOARD OF DIRECTORS.

The AGM will be held at the Company's head office in Hong Kong on 30 April 2014.

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.

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.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT *(Continued)*

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").

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.

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 25 to 76 which comprise the consolidated and Company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 19 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Continuing operation			
Revenue	6	**6,975**	9,662
Cost of sales		**(5,432)**	(8,150)
Gross profit		**1,543**	1,512
Other revenue	6	**126**	151
Other gains and losses	7	**(4,902)**	(9,377)
Selling and distribution expenses		**(59)**	(712)
Administrative expenses		**(11,996)**	(13,737)
Loss from operations		**(15,288)**	(22,163)
Finance costs	8	**(20)**	(211)
Loss before taxation	9	**(15,308)**	(22,374)
Taxation	10	**(4)**	(71)
Loss for the year from continuing operation		**(15,312)**	(22,445)
Discontinued operation			
Profit for the year from discontinued operation	11	**–**	2,186
Loss for the year		**(15,312)**	(20,259)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**682**	1,206
Other comprehensive income for the year, net of income tax		**682**	1,206
Total comprehensive loss for the year		**(14,630)**	(19,053)
Loss for the year attributable to			
Owners of the Company		**(14,859)**	(17,185)
Non-controlling interests		**(453)**	(3,074)
		(15,312)	(20,259)
Total comprehensive loss for the year attributable to			
Owners of the Company		**(14,569)**	(17,050)
Non-controlling interests		**(61)**	(2,003)
		(14,630)	(19,053)
Loss per share			
From continuing and discontinued operations			
– Basic and diluted	13	**HK(1.04) cents**	HK(1.20) cents (restated)
From continuing operation			
– Basic and diluted		**HK(1.04) cents**	HK(1.36) cents (restated)

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**1,331**	1,723
Goodwill	16	**–**	5,404
Other assets	17	**634**	614
		1,965	7,741
Current assets			
Inventories	19	**10,887**	11,113
Trade receivables	20	**5,265**	3,802
Other receivables, deposits and prepayments	21	**14,698**	12,446
Cash and cash equivalents	22	**43,179**	1,292
		74,029	28,653
Current liabilities			
Trade payables	24	**1,071**	1,195
Accruals and other payables	25	**8,209**	5,868
Amounts due to related parties	26	**5,877**	3,709
Amount due to a shareholder	27	**11,480**	5,628
Borrowings	28	**2,300**	–
		28,937	16,400
Net current assets		**45,092**	12,253
Total assets less current liabilities		**47,057**	19,994
Net assets		**47,057**	19,994
EQUITY			
Share capital	29	**9,411**	6,274
Reserves		**25,579**	1,592
Total equity attributable to owners of the Company		**34,990**	7,866
Non-controlling interests		**12,067**	12,128
Total equity		**47,057**	19,994

The consolidated financial statements were approved and authorised for issue by the board of directors on 19 March 2014 and signed on its behalf by:

Chan Kwok Wing
Director

Zhang Shi Min
Director

Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	18	**8,269**	24,132
Current assets			
Deposits and prepayments	21	**1,125**	305
Cash and cash equivalents	22	**42,601**	865
		43,726	1,170
Current liabilities			
Accruals and other payables	25	**1,106**	388
Amount due to a subsidiary	23	**55**	68
Amount due to a shareholder	27	**11,480**	5,650
Borrowings	28	**2,300**	–
		14,941	6,106
Net current assets/(liabilities)		**28,785**	(4,936)
Total assets less current liabilities		**37,054**	19,196
Net assets		**37,054**	19,196
EQUITY			
Share capital	29	**9,411**	6,274
Reserves	32	**27,643**	12,922
Total equity		**37,054**	19,196

The financial statements were approved and authorised for issue by the board of directors on 19 March 2014 and signed on its behalf by:

Chan Kwok Wing
Director

Zhang Shi Min
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	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
At 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 costs	–	–	–	–	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 translating 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)
At 31 December 2012 and 1 January 2013	6,274	1,030	70,009	11	4,752	324	1,541	(76,075)	7,866	12,128	19,994
Open offer of ordinary shares	3,137	–	40,781	–	–	–	–	–	43,918	–	43,918
Transaction costs attributable to open offer of ordinary shares	–	–	(1,961)	–	–	–	–	–	(1,961)	–	(1,961)
Transaction costs attributable to shares consolidation	–	–	(264)	–	–	–	–	–	(264)	–	(264)
Transaction with owners	3,137	–	38,556	–	–	–	–	–	41,693	–	41,693
Net loss for the year	–	–	–	–	–	–	–	(14,859)	(14,859)	(453)	(15,312)
Other comprehensive income net of income tax											
Exchange differences on translating foreign operations	–	–	–	–	–	–	290	–	290	392	682
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	290	(14,859)	(14,569)	(61)	(14,630)
At 31 December 2013	**9,411**	**1,030***	**108,565***	**11***	**4,752***	**324***	**1,831***	**(90,934)***	**34,990**	**12,067**	**47,057**

* The aggregated amount of these balances of approximately HK$25,579,000 (2012: HK$1,592,000) 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 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 warrant reserve of the Group represents non-listed warrants were issued to the two independent third parties during the year of 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 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
(Loss)/profit before taxation			
– Continuing operation		**(15,308)**	(22,374)
– Discontinued operation		**–**	2,186
		(15,308)	(20,188)
Adjustments for:			
Interest income	6	**(1)**	(11)
Finance costs	8	**20**	211
Depreciation	15	**433**	436
Reversal of impairment loss on trade receivables	20	**(1,944)**	–
Reversal of impairment loss on inventories	19	**(660)**	–
Impairment loss recognised on inventories	19	**1,611**	2,076
Impairment loss recognised on trade receivables	20	**387**	1,906
Impairment loss recognised on goodwill	16	**5,508**	5,395
Gain on disposal of subsidiaries	35	**–**	(2,866)
Loss on disposal of property, plant and equipment	9	**–**	29
Operating loss before working capital changes		**(9,954)**	(13,012)
(Increase)/decrease in inventories		**(724)**	2,455
Decrease in trade receivables		**93**	744
Increase in other receivables, deposits and prepayments		**(2,288)**	(2,883)
(Decrease)/increase in trade payables		**(125)**	532
Increase/(decrease) in accruals and other payables		**2,377**	(1,166)
Cash used in operating activities		**(10,621)**	(13,330)
PRC enterprise income tax paid		**(4)**	(71)
Net cash used in operating activities		**(10,625)**	(13,401)
Cash flows from investing activities			
Interest received		**1**	11
Net cash outflow from disposal of subsidiaries	35	**–**	(19)
Purchase of property, plant and equipment	15	**–**	(24)
Net cash generated from/(used in) investing activities		**1**	(32)
Cash flows from financing activities			
Proceeds from the placing of non-listed warrants, net of transaction cost	31	**–**	4,752
Proceeds from open offer of ordinary shares	32	**43,918**	–
Payment for transaction costs of open offer of ordinary shares	32	**(1,961)**	–
Payment for transaction costs of shares consolidation	32	**(264)**	–
Borrowings from related parties		**2,169**	2,497
Amount due to a shareholder		**5,852**	3,648
Repayment to bank borrowing		**–**	(6,044)
Proceed form borrowings		**2,300**	–
Interest paid		**(20)**	(211)
Net cash generated from financing activities		**51,994**	4,642
Net increase/(decrease) in cash and cash equivalents		**41,370**	(8,791)
Cash and cash equivalents at the beginning of the year		**1,292**	8,944
Effect of foreign exchange rate changes		**517**	1,139
Cash and cash equivalents at the end of the year		**43,179**	1,292

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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 Room 3008-10, 30th Floor, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, 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 2013 were approved for issue by the board of directors on 19 March 2014.

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

In the current year, the Company has applied, for the first time, the following new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Company's financial year beginning 1 January 2013. A summary of the new HKFRSs are set out as below:

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

Except for the amendments to HKAS 1, the application of these new HKFRSs has no material impact on the results and the financial position of the Group.

The nature of the impending changes in accounting policy on adoption of the amendments to HKAS 1 is described below.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC) Int-12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

HKFRS 12 Disclosure of Interests in Other Entities

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

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply 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 for share based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the standard principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. The application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012.

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.

Save as described above, the application of the new or amended HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income *(Continued)*

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

HKFRS 9	Financial Instruments[3]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[3]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 14	Regulatory Deferral Accounts[4]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
3 No mandatory effective date yet determined but is available for adoption.
4 Effective for annual periods beginning on or after 1 January 2016.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

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.

The date when entities would be required to apply HKFRS 9 was previously stated at 1 January 2015. This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced.

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of new standard may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

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.

Amendments to HKAS 36 – Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

The directors anticipate that the application of these amendments to HKAS 36 will have no material impact on the Group's financial performance and positions.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The Investment Entities amendments apply to a particular class of business that qualify as investment entities. The term 'investment entity' refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011) will have no material impact on the Group's financial performance and positions.

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

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Group's financial performance and positions.

HK (IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC) – Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standard ("HKASs") and Interpretations 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 profit or loss and other 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

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 Non-current 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 Consolidated Financial Statements

For the year ended 31 December 2013

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 profit or loss and other comprehensive income. 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.

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 Consolidated Financial Statements

For the year ended 31 December 2013

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions and contingent liabilities *(Continued)*

Contingent liabilities acquired in business combinations *(Continued)*

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.

(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.

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 "Borrowings" 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 2013, impairment loss of goodwill of approximately HK$5,508,000 has been recognised (2012: HK$5,395,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. SEGMENT INFORMATION

The Group currently operates in one operating segment which is the sales of environmentally friendly air-conditioners and related products. A single management team reports to the Group's Chief Executive Officer (being the chief operating decision-marker) who allocates resources and assesses performance based on the consolidated results for the year for the entire business comprehensively.

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 2013:

	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	–	6,975	6,975
Segment results	–	(7,742)	(7,742)
Other gains			126
Central administrative costs			(7,672)
Finance costs			(20)
Loss before taxation			(15,308)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

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)

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

31 December 2013

	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	–	30,887	30,887
Unallocated assets			45,107
Total assets			75,994
Segment liabilities	–	14,072	14,072
Unallocated liabilities			14,865
Total liabilities			28,937

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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 2013

	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	**–**	**265**	**168**	**433**
Capital expenditure	**–**	**–**	**–**	**–**

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

5. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

In addition to the depreciation reported above, impairment losses of HK$387,000 (2012: HK$1,906,000), HK$1,611,000 (2012: HK$2,076,000) and HK$5,508,000 (2012: HK$5,395,000) 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".

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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**6,975**	9,662	**1,782**	7,390
Hong Kong	**–**	–	**183**	351
Total	**6,975**	9,662	**1,965**	7,741

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 2013, approximately HK$5,191,000 or 74.4% (2012: HK$2,206,000 or 22.8%) of the Group's revenue generated from three customers (2012: one). Each customer has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2013 (2012: Nil).

Revenue from major customers, each of them amounted to 10% or more of the Group's revenue, are set out below:

	2013	2012
	HK$'000	HK$'000
Customer A	**–**	2,206
Customer B (Note)	**3,243**	–
Customer C (Note)	**1,029**	–
Customer D (Note)	**919**	–

Note: No information on revenue for the year ended 31 December 2012 is disclosed for these customers since none of them contributed 10% or more to the Group's revenue for the year ended 31 December 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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:

	2013 **HK$'000**	2012 HK$'000
Revenue		
Sales of environmentally friendly air-conditioners and related products	**6,975**	9,662
Interest income	**1**	11
Sundry income	**125**	140
	126	151

7. OTHER GAINS AND LOSSES

	2013 **HK$'000**	2012 HK$'000
Impairment loss recognised on inventories (Note 19)	**(1,611)**	(2,076)
Impairment loss recognised on trade receivables (Note 20)	**(387)**	(1,906)
Impairment loss recognised on goodwill (Note 16)	**(5,508)**	(5,395)
Reversal of impairment loss on trade receivables (Note 20)	**1,944**	–
Reversal of impairment loss on inventories (Note 19)	**660**	–
	(4,902)	(9,377)

8. FINANCE COSTS

Continuing operation

	2013 **HK$'000**	2012 HK$'000
Borrowings		
– wholly repayable within one year	**20**	–
Bank borrowing		
– wholly repayable within five years	**–**	211
	20	211

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

9. LOSS BEFORE TAXATION

Continuing operation

	2013 HK$'000	2012 HK$'000
Loss before taxation is arrived at after charging/(crediting)		
Auditors' remuneration	**280**	280
Depreciation of owned assets	**433**	436
Net foreign exchange gain	**–**	(4)
Cost of inventories recognised as an expense	**5,315**	7,324
Operating lease rentals in respect of rented premises	**4,394**	4,307
Loss on disposal of property, plant and equipment	**–**	29
Employee benefit expenses (excluding director and chief executive's remuneration (note 14)		
Salaries allowances and benefits in kind	**3,120**	2,860
Contributions to retirement benefits scheme	**261**	250

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% (2012: 16.5%) on the estimated assessable profits for the year.

No provision for Hong Kong profits tax has been made in the financial statements as the subsidiaries in Hong Kong had no assessable profit for the year (2012: 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: 25%).

	2013 HK$'000	2012 HK$'000
Current tax:		
PRC enterprise income tax	**4**	71
Hong Kong profits tax	**–**	–
	4	71

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

	2013 HK$'000	2012 HK$'000
Loss before taxation (from continuing operation)	**(15,308)**	(22,374)
Tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdiction concerned	**(3,184)**	(6,061)
Tax effect of non-deductible expenses	**2,348**	3,129
Tax effect of non-taxable income	**(815)**	(3)
Tax effect of unused tax losses not recognised	**1,655**	3,006
Income tax for the year	**4**	71

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

10. TAXATION *(Continued)*

Deferred Taxation

Deferred taxation is calculated in full on temporary difference under the liabilities method using a principal taxation rate of 16.5% (2012: 16.5%). During the years ended 31 December 2013 and 2012, no deferred taxation was recognised by the Company.

Unrecognised deferred tax assets

As at 31 December 2013, the Group and the Company had unutilised tax losses of approximately HK$32,584,000 (2012: HK$30,789,000) and HK$18,180,000 (2012: HK$18,180,000) 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.

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 2012 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 loss for the year are set out below:

	2013 **HK$'000**	2012 HK$'000
Profit for the year from discontinued operation		
Revenue	–	69
Cost of sales	–	(579)
Gross profit	–	(510)
Other revenue	–	1
Selling and distribution expenses	–	(148)
Administrative expenses	–	(23)
Loss for the year	–	(680)
Gain on disposal of subsidiaries (Note 34(a))	–	2,866
Profit for the year from discontinued operation	–	2,186

Profit for the year from discontinued operation including the following:

Depreciation	–	2
Cash flows from discontinued operation		
Net cash inflows from operating activities	–	552
Net cash inflows from financing activities	–	20
Net cash inflows	–	572

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

12. LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of approximately HK$23,835,000 (2012: HK$7,919,000) has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

On 11 November 2013, the Company entered into an underwriting agreement with underwriter by issuing 627,400,000 offer shares on the basis of one offer share for every two shares at subscription price HK$0.07. All conditions set out in the underwriting agreement have been fulfilled on 27 December 2013 and the dealings in the offer share were commenced on the Stock Exchange on 2 January 2014. For the detail, please refer to the Company's announcement dated 30 December 2013.

During the year ended 31 December 2013, 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$14,859,000 (2012: HK$17,185,000) and on the weighted average number after open offer shares adjustment of 1,429,120,586 ordinary shares (2012: 1,427,875,862 (restated)) in issue during the year.

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 attributable to owners of the Company are calculated as follows:

	2013 **HK$'000**	2012 HK$'000
Loss for the year attributable to owners of the Company	**(14,859)**	(17,185)
Less: Profit for the year from discontinued operation	**–**	2,186
Loss for the purpose of basic and diluted loss per share from continuing operation	**(14,859)**	(19,371)

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 operation is HK$0.17 cents for the year 2012, based on profit for the year from the discontinued operation of approximately HK$2,186,000 for the year ended 31 December 2012 and the denominators detailed above for both basic and diluted loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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
2013				
Executive directors				
Mr. Zhang Shi Min (former chief executive officer) (a)	–	320	14	334
Mr. Chan Kwok Wing (Chief executive officer) (c)	–	111	3	114
Mr. Zhao Yan Jie (former chief executive officer) (e)	–	285	–	285
Mr. Qie Bing Bing (d)	–	320	14	334
	–	1,036	31	1,067
Independent non-executive directors				
Mr. Leung Wah	120	–	–	120
Mr. Fung Hoi Wing, Henry	120	–	–	120
Mr. Cheung Chung Leung, Richard (f)	26	–	–	26
Mr. Gao Jin Lu (b)	94	–	–	94
	360	–	–	360
Total	360	1,036	31	1,427

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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
2012				
Executive directors				
Mr. Li Shan Jie				
(resigned on 22 November 2012)	–	300	–	300
Mr. Zhang Shi Min (a)	–	420	14	434
Mr. Qie Bing Bing (d)	–	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 (f)	120	–		120
	360	–	–	360
Total	360	1,080	25	1,465

Notes:

a) Mr. Zhang Shi Min has resigned as chief executive officer on 16 August 2013.

b) Mr. Gao Jin Lu has appointed as independent non-executive director on 19 March 2013 and resigned on 28 February 2014.

c) Mr. Chan Kwok Wing has appointed as executive director and chief executive officer with effective from 8 November 2013.

d) Mr. Qie Bing Bing has resigned as executive director on 3 January 2014.

e) Mr. Zhao Yan Jie has appointed as executive director and chief executive officer on 10 May 2013 and 16 August 2013 respectively. He was resigned as executive director and chief executive officer on 8 November 2013.

f) Mr. Cheung Chung Leung, Richard has resigned as independent non-executive director on 19 March 2013.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

(b) Five highest paid individuals

The five highest paid individuals during the year included one director and one former director (2012: two). The details of the emoluments of the remaining three (2012: three) highest paid individuals are as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries and allowances	**1,789**	1,110
Retirement benefits scheme contributions	**69**	40
	1,858	1,150

All of the above highest paid individuals (2012: Three) received individual emoluments below HK$1 million.

	2013 Number of individuals	2012 Number of individuals
Nil to HK$1,000,000	**3**	3

During the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to any of the directors, executive officer, and highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No director, chief executive officer or the highest paid individual waived or to waive any emoluments during both years.

(c) Senior management of the Company

The emoluments of the senior management of the Company are within the following bands:

	2013 Number of individuals	2012 Number of individuals
Nil to HK$1,000,000	**3**	3

During the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to any of the senior management as an inducement to join or upon joining the Group or as compensation for loss of office. No senior management waived or to waive any emoluments during both years.

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For the year ended 31 December 2013

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Furniture, fixtures and equipment HK$'000
Cost:	
Balance at 1 January 2012	2,630
Additions	24
Disposal	(63)
Disposal of subsidiaries	(21)
Exchange alignment	77
Balance at 31 December 2012 and 1 January 2013	2,647
Exchange alignment	59
Balance at 31 December 2013	2,706
Accumulated depreciation and impairment:	
Balance at 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 and 1 January 2013	924
Charge for the year	433
Exchange alignment	18
Balance at 31 December 2013	1,375
Carrying amount:	
Balance at 31 December 2013	**1,331**
Balance at 31 December 2012	1,723

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

16. GOODWILL

The Group

	HK$'000
Cost:	
Balance at 1 January 2012	10,661
Exchange alignment	138
Balance at 31 December 2012 and 1 January 2013	10,799
Exchange alignment	357
Balance at 31 December 2013	11,156
Accumulated impairment:	
Balance at 1 January 2012	–
Impairment loss recognised for the year	5,395
Balance at 31 December 2012 and 1 January 2013	5,395
Impairment loss recognised for the year	5,508
Exchange alignment	253
At 31 December 2013	11,156
Carrying amount:	
Balance at 31 December 2013	**–**
Balance at 31 December 2012	5,404

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 2013 and 2012 allocated to this unit is as follows:

	2013 **HK$'000**	2012 HK$'000
Manufacturing and sales of environmentally friendly air-conditioners and related products	**–**	5,404

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

	2013 **HK$'000**	2012 HK$'000
Manufacturing and sales of environmentally friendly air-conditioners and related products	**11,156**	10,799

16. GOODWILL *(Continued)*

Manufacturing and sales of environmentally friendly 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 further slowdown. The continuous and economic slowdown in China and the market remain full of uncertainties, meanwhile the Company faced fierce competition in air-conditioner market. 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$5,508,000 (2012: HK$5,395,000) and the cash generating unit has been reduced to its recoverable amount of approximately HK$15,665,000 (2012: HK$29,544,000). 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 19.08% (2012: 17.08%).

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 three-years period have been extrapolated using a steady 3% (2012: 3.1%) per annum growth rate which is the projected long-term average growth rate for the air-conditioners and related products. The directors of the Company 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.

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17. OTHER ASSETS

	The Group HK$'000
At cost	
Balance at 1 January 2012	609
Exchange alignment	5
Balance at 31 December 2012 and 1 January 2013	614
Exchange alignment	20
Balance at 31 December 2013	634
Accumulated impairment:	
Balance at 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	–
Carrying amount:	
Balance at 31 December 2013	**634**
Balance at 31 December 2012	614

Note:

Other asset is a club membership which represent entrance fee paid to a golf club held on long-term basis and stated at cost less accumulated impairment loss.

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**128**	128
Less: Impairment	**–**	–
	128	128
Amounts due from subsidiaries	**45,725**	41,360
Less: Provision for amounts due from subsidiaries	**(37,584)**	(17,356)
	8,141	24,004
	8,269	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 2013. 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 Consolidated Financial Statements

For the year ended 31 December 2013

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the Company's subsidiaries at 31 December 2013 are as follows:

Name of Subsidiary	Place of incorporation/ registration/ operation and kind of legal entity	Issued and paid-up share capital	Percentage of issued capital and voting power held by the Company Directly	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 Environmental Engineering Company Limited (formerly known as Global Petroleum Holding Resource Limited)	British Virgin Islands	Registered and paid up capital of USD10,000	100%	–	Investment holding
Hong Kong Environmental Engineering Holdings Limited	Hong Kong, limited liability company	1 ordinary share of HK$1	–	100%	Investment holding
Hong Kong Environmental Engineering & Services Limited	Hong Kong, limited liability company	1 ordinary share of HK$1	–	100%	Dormant
Hong Kong Environmental Engineering Company Limited	Hong Kong, limited liability company	1 ordinary share of HK$1	–	100%	Dormant

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18. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of Subsidiary	Place of incorporation/ registration/ operation and kind of legal entity	Issued and paid-up share capital	Percentage of issued capital and voting power held by the Company		Principal activities and place of operations
			Directly	Indirectly	
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.

(a) Details of non-wholly owned subsidiary that has material non-controlling interests.

Name of Company	Place of incorporation registration and operation	Proportion of ownership interests and voting rights held by non-controlling interests	Profits/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
			2013	2012	**2013**	2012
			HK$'000	HK$'000	**HK$'000**	HK$'000
深圳市順天運環保科技有限公司	The PRC	49%	**130**	(931)	**10,175**	9,819

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

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18. INTERESTS IN SUBSIDIARIES *(Continued)*

(a) Details of non-wholly owned subsidiary that has material non-controlling interests. *(Continued)*

深圳市順天運環保科技有限公司

	2013 HK$'000	2012 HK$'000
Current assets	**21,261**	19,356
Non-current assets	**6,174**	6,055
Current liabilities	**(4,956)**	(3,811)
Equity attributable to owners of the Company	**12,304**	11,781
Non-controlling interests	**10,175**	9,819

	2013 HK$'000	2012 HK$'000
Revenue	**6,587**	5,602
Expenses	**(6,322)**	(7,501)
Profit/(loss) for the year	**265**	(1,899)
Profit/(loss) attributable to owners of the Company	**135**	(969)
Profit/(loss) attributable to owners of the non-controlling interests	**130**	(931)
Profit/(loss) for the year	**265**	(1,900)
Other comprehensive income attributable to owners of the Company	**235**	481
Other comprehensive income attributable to the non-controlling interests	**226**	462
Other comprehensive income for the year	**461**	943
Total comprehensive income/(loss) attributable to owners of the Company	**370**	(488)
Total comprehensive income/(loss) attributable to the non-controlling interests	**356**	(469)
Total comprehensive income/(loss) for the year	**726**	(957)
Dividend paid to non-controlling interests	**–**	–
Net cash outflow from operating activities	**(547)**	(1,558)
Net cash outflow from investing activities	**–**	(70)
Net cash inflow from financing activities	**–**	–
Net cash outflow	**(547)**	(1,628)

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19. INVENTORIES

	The Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	**6,209**	1,380
Semi-finished products	**846**	3,556
Finished goods	**4,783**	8,253
	11,838	13,189
Less: Impairment loss recognised	**(1,611)**	(2,076)
Add: reversal of impairment loss	**660**	–
	10,887	11,113

20. TRADE RECEIVABLES

	The Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables	**5,265**	3,802

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 2013, the Group allows a credit period of 30–180 days (2012: 30–180 days) to its trade customers. The following is an ageing analysis of trade receivables at the end of the reporting period based on the invoice date and net of provision:

	2013	2012
	HK$'000	HK$'000
0–90 days	**1,477**	2,870
91–180 days	**2,667**	932
181–365 days	**577**	–
Over 365 days	**544**	–
	5,265	3,802

Trade receivables disclosed as below which are past due but not impaired. The directors considered that those amounts have not significant change in credit quality and the amounts are still recoverable.

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For the year ended 31 December 2013

20. TRADE RECEIVABLES *(Continued)*

The aging analysis of receivables that are past due but not impaired

	2013 HK$'000	2012 HK$'000
181 to 365 days	**577**	–
Over 365 days	**544**	–
	1,121	–

Movement in the impairment losses recognised on trade receivables

	2013 HK$'000	2012 HK$'000
Balance at beginning	**1,906**	2,996
Add: Impairment loss recognised on receivables	**387**	1,906
Less: Reversal of impairment loss on receivables	**(1,944)**	–
Disposal of subsidiaries	**–**	(2,996)
	349	1,906

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		**The Company**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Deposits paid and prepayments to suppliers	**13,607**	11,227	**–**	–
Other deposits and receivables	**855**	948	**1,125**	305
Value added tax receivables	**236**	271	**–**	–
	14,698	12,446	**1,125**	305

22. CASH AND CASH EQUIVALENTS

	The Group		**The Company**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Cash at bank and in hand	**43,179**	1,292	**42,601**	865

The effective interest rates of the bank balances of the Group and the Company ranged from 0.5% to 1.1% (2012: 0.5% to 1.1%) per annum.

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22. CASH AND CASH EQUIVALENTS *(Continued)*

Included in bank and cash balances of the Group is approximately HK$302,000 (2012: HK$326,000) of cash and 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.

24. TRADE PAYABLES

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

	The Group	
	2013	2012
	HK$'000	HK$'000
0–90 days	**25**	273
91–180 days	**15**	818
181–365 days	**780**	98
Over 365 days	**251**	6
	1,071	1,195

25. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**1,258**	668	**1,086**	388
Receipt in advances	**3**	288	**–**	–
Other payables	**6,948**	4,912	**20**	–
	8,209	5,868	**1,106**	388

26. AMOUNTS DUE TO RELATED PARTIES

As at 31 December 2013, included in amounts due to related parties, the details were presented as follows:.

	2013	2012
	HK$'000	HK$'000
Mr. Zhang Shi Min (Executive director)	**1,267**	1,228
Mr. Chan Kowk Wing (Executive director)	**7**	–
A director of a subsidiary of the Company	**4,603**	2,481
	5,877	3,709

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

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27. AMOUNT DUE TO A SHAREHOLDER

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

28. BORROWINGS

	The Group and the Company	
	2013	2012
	HK$'000	HK$'000
Borrowings – unsecured	**2,300**	–
Carrying amount repayable within one year	**2,300**	–

The contractual fixed interest rate per annum is respect of borrowings was within the following:

	The Group and the Company	
	2013	2012
A fixed three-month term	**10%**	–

The fair value of the borrowings approximates their carrying amounts.

29. SHARE CAPITAL

	2013		2012	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.0005 each at beginning of the year	**40,000,000**	**20,000**	40,000,000	20,000
Less: Every ten shares consolidated into one share	**(36,000,000)**	**–**	–	–
Ordinary share of HK$0.005 each at the end of the year	**4,000,000**	**20,000**	40,000,000	20,000
Issued and fully paid:				
Ordinary shares of HK$0.0005 each at beginning of the year	**12,548,000**	**6,274**	12,548,000	6,274
Less: Every ten shares consolidated into one consolidated share	**(11,293,200)**	**–**	–	–
Add: Open offer shares (note)	**627,400**	**3,137**	–	–
Ordinary share of HK$0.005 each at the end of the year	**1,882,200**	**9,411**	12,548,000	6,274

29. SHARE CAPITAL *(Continued)*

On 11 November 2013, the Company entered into an underwriting agreement with underwriter by issuing 627,400,000 offer shares on the basis of one offer share for every two shares at subscription price of HK$0.07. All conditions set out in the underwriting agreement have been fulfilled on 27 December 2013, and the dealings in the offer shares were commenced on the Stock Exchange on 2 January 2014. For the detail, please refer to the Company's announcement dated 30 December 2013.

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 years ended 31 December 2013 and 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.

30. SHARE OPTION SCHEME *(Continued)*

Terminated Share Option Scheme *(Continued)*

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.

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 2013 and 2012.

31. WARRANTS

At 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. 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.

The open offer has become effective on 31 December 2013. Pursuant to the terms and conditions of the non-listed warrants, the exercise price and number of shares issuable of the outstanding non-listed warrants has been adjusted from HK1.50 per share to HK$1.00 per share and from 100,000,000 shares to 150,000,000 shares respectively. At 31 December 2013, the Company had outstanding 150,000,000 warrants and their exercise would result in the issuance of 150,000,000 shares.

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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 2012	70,009	1,030	742	–	(55,692)	16,089
Placing of non-listed warrants, net of transaction costs	–	–	–	4,752	–	4,752
Net loss for the year	–	–	–	–	(7,919)	(7,919)
At 31 December 2012 and 1 January 2013	70,009	1,030	742	4,752	(63,611)	12,922
Open offer of ordinary shares	40,781	–	–	–	–	40,781
Transaction costs attributable to open offer of ordinary shares	(1,961)	–	–	–	–	(1,961)
Transaction cost attributable to shares consideration	(264)	–	–	–	–	(264)
Net loss for the year	–	–	–	–	(23,835)	(23,835)
At 31 December 2013	**108,565**	**1,030**	**742**	**4,752**	**(87,446)**	**27,643**

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.

33. OPERATING LEASE COMMITMENTS

As at 31 December 2013, 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	
	2013	2012
	HK$'000	HK$'000
Within one year	**3,815**	3,793
In the second to fifth years inclusive	**1,912**	3,627
	5,727	7,420

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.

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34. BUSINESS COMBINATIONS

On 13 December 2013, the Company has entered into an instrument of transfer to acquire 100% equity interest in Hong Kong Environmental Engineering Holdings Limited at a total consideration of HK$1. The acquisition has been completed on 13 December 2013. The consideration of HK$1 has been settled by cash.

None of goodwill arising on the acquisition because the fair value of equity interest of Hong Kong Environmental Engineering Holdings Limited was equal to consideration.

	HK$'000
Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	–

Impact of acquisition on the results of the Group

Included in the loss for the year, loss of approximately HK$3,000 generated by Hong Kong Environmental Engineering Holdings Limited. Hong Kong Environmental Engineering Holdings Limited did not generated any revenue during the year.

Had the acquisition of Hong Kong Environmental Engineering Holdings Limited been effected at 1 January 2013, the loss for the year would have been approximately HK$15,315,000. The directors consider these pro-forma number to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

35. 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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35. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) On 11 August 2012, 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 2012.

	2012 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 2012 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 2012.

36. RELATED PARTY TRANSACTIONS

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

	2013 HK$'000	2012 HK$'000
Total remuneration of directors and other members of key management during the year was as follows:		
Retirement benefit, scheme contribution		
Short term benefits	**3,185**	2,550
Post-employment benefit	**100**	65
	3,285	2,615

37. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2013 (2012: Nil).

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38. 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, there was no trade receivables was due from the Group's largest customer (2012: 45.2%).

(iv) Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long term 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 2013 and 31 December 2012, 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:

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38. 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 2013					
Trade payables	**–**	**1,071**	**1,071**	**1,071**	**–**
Other payables	**–**	**8,206**	**8,206**	**8,206**	**–**
Amounts due to related parties	**–**	**5,877**	**5,877**	**5,877**	**–**
Amount due to a shareholder	**–**	**11,480**	**11,480**	**11,480**	**–**
Borrowings	**10**	**2,300**	**2,300**	**2,300**	**–**
		28,934	**28,934**	**28,934**	**–**
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	–

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 2013					
Amount due to a shareholder	**–**	**11,480**	**11,480**	**11,480**	**–**
Amount due to a subsidiary	**–**	**55**	**55**	**55**	**–**
Accruals and other payables	**–**	**1,106**	**1,106**	**1,106**	**–**
Borrowings	**10**	**2,300**	**2,300**	**2,300**	**–**
		14,941	**14,941**	**14,941**	**–**
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	–

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38. 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 2013 and 2012 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans and receivables:				
Cash and cash equivalents	**43,179**	1,292	**42,601**	865
Trade receivables	**5,265**	3,802	**–**	–
Other receivables	**2,143**	22	**–**	–
Amounts due from subsidiaries	**–**	–	**8,141**	21,399
	50,587	5,116	**50,742**	22,264

(ii) Financial liabilities

Financial liabilities at amortised cost:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities:				
Trade payables	**1,071**	1,195	**–**	–
Accruals and other payables	**8,206**	5,580	**1,106**	388
Amounts due to related parties	**5,877**	3,709	**–**	–
Amount due to a shareholder	**11,480**	5,628	**11,480**	5,650
Amount due to a subsidiary	**–**	–	**55**	68
Borrowings	**2,300**	–	**2,300**	–
	28,934	16,112	**14,941**	6,106

39. 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.

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For the year ended 31 December 2013

39. CAPITAL MANAGEMENT *(Continued)*

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

	2013 **HK$'000**	2012 HK$'000
Total equity	**47,057**	19,994

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:

	2013 **HK$'000**	2012 HK$'000
Debts (Note 1)	**19,657**	9,337
Cash and cash equivalents	**(43,179)**	(1,292)
Net debt	**(23,522)**	8,045
Equity (Note 2)	**34,990**	7,866
Net debt to equity ratio	**N/A**	102.3%

Notes:

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

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

40. CONTINGENT LIABILITIES

As at 31 December 2013 and 2012, the Group and the Company had no material contingent liabilities.

41. EVENTS AFTER THE REPORTING PERIOD

On 7 February 2014, the Company completed a placing for a total of 250,960,000 new ordinary shares of par value of HK$0.005 each in the capital of the Company at a price of HK$0.39 per placing share to independent third parties. Details of the Placing are set out in the Company's announcements dated 24 January 2014 and 7 February 2014.

On 7 January 2014, the board lot size for trading in the shares of the Company has been changed from 16,000 shares to 32,000 shares. Details of the change are set out in the Company's announcement dated 11 December 2013.

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 on 19 March 2014.