中國農業生態有限公司
China Eco-Farming Limited

(Continued into Bermuda with limited liability)
(Stock Code: 8166)

Annual Report 2013

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors of China Eco-Farming Limited (the "Company") (the "Director(s)") 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.

This report will remain on the Company's website at http://www.aplushk.com/clients/8166chinaeco-farming/index.html and the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tsang Chi Hin *(Chief Executive)*
Mr. Chu Yu Man, Philip

Independent Non-executive Directors

Mr. Cheung Tak Shum
Mr. Lau Tin Cheung
Mr. Tsang Hin Fun, Anthony

AUTHORISED REPRESENTATIVES

Mr. Tsang Chi Hin
Mr. Chu Yu Man, Philip

AUDIT COMMITTEE

Mr. Tsang Hin Fun, Anthony *(Chairman)*
Mr. Cheung Tak Shum
Mr. Lau Tin Cheung

NOMINATION COMMITTEE

Mr. Lau Tin Cheung *(Chairman)*
Mr. Tsang Chi Hin
Mr. Cheung Tak Shum
Mr. Tsang Hin Fun, Anthony

REMUNERATION COMMITTEE

Mr. Cheung Tak Shum *(Chairman)*
Mr. Lau Tin Cheung
Mr. Tsang Hin Fun, Anthony

COMPLIANCE OFFICER

Mr. Tsang Chi Hin

COMPANY SECRETARY

Ms. Yip Zodia Wang

AUDITORS

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens,
33 Hysan Avenue,
Causeway Bay,
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1301, 13/F., 299 QRC,
287-299 Queen's Road Central,
Hong Kong

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street, Hamilton HM11,
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre,
Town Place, 33 Lockhart Road,
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

GEM STOCK CODE

8166

WEBSITE ADDRESS

www.aplushk.com/clients/8166chinaeco-farming/index.html

Profile of the Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Tsang Chi Hin ("Mr. Tsang") (曾志謙先生), aged 55, was appointed as an executive Director on 30 September 2008 and the chief executive of the Company on 13 October 2008. Mr. Tsang is also the member of the nomination committee of the Company and a director of several subsidiaries of the Company. Mr. Tsang holds a bachelor degree in economics and a higher certificate in electronic engineering with over 26 years of experience in telecommunications and electronic industries. Mr. Tsang started his marketing career in 1984. He then joined Hongkong Telecom as a consultant in marketing data communication services in 1987 and his last position in Hongkong Telecom was Account Director.

Mr. Chu Yu Man, Philip ("Mr. Chu") (朱裕民先生), aged 56, was appointed as an executive Director on 30 September 2008. He is also a director of several subsidiaries of the Company. Mr. Chu has over 29 years of extensive experience in the sales and development of electronic and telecommunication products. Mr. Chu previously served as the sales and marketing director for a United States of America based company which was then engaged in businesses in United States of America, Europe and the People's Republic of China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Tak Shum ("Mr. Cheung") (張德深先生), aged 56, was appointed as an independent non-executive Director on 30 September 2008. Mr. Cheung is also the chairman of the remuneration committee, the member of the audit committee and the nomination committee of the Company. Mr. Cheung holds a diploma in sociology and has over 24 years of experience in trading of engineering and related chemical products in the People's Republic of China.

Mr. Lau Tin Cheung ("Mr. Lau") (劉天祥先生), aged 50, was appointed as an independent non-executive Director on 30 December 2008. Mr. Lau is also the chairman of the nomination committee, the member of the audit committee and the remuneration committee of the Company. He has been educated and worked in Hong Kong and United Kingdom. He holds a bachelor of engineering degree at the University of Nottingham and a master of science degree in structural engineering at the University of Manchester Institutional of Science and Technology. Mr. Lau has over 23 years of experience in investment and project management of public and private companies in Hong Kong and the People's Republic of China. He was the investment director of Tianjin Development Holdings Limited (a company listed on the main board of the Stock Exchange).

Mr. Tsang Hin Fun, Anthony ("Mr. Anthony Tsang") (曾憲芬先生), aged 53, was appointed as an independent non-executive Director on 22 September 2013. Mr. Anthony Tsang is also the chairman of the audit committee, the member of the remuneration committee and the nomination committee of the Company. Mr. Anthony Tsang holds a Master of Business Administration Degree from the City Polytechnic of Hong Kong (now known as City University of Hong Kong). He has over 30 years' experience in auditing, accounting and finance, company secretarial, risk management, corporate & debt restructuring and administration. He started his career in Coopers & Lybrand (now known as PricewaterhouseCoopers) and left after working there for 9 years. Since then he held various senior positions in different companies, including five companies listed on the Stock Exchange. He also acted as an advisor in a number of corporate and debt restructurings for clients of major banks in Hong Kong. Mr. Anthony Tsang is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has been a member of the Finance Sub-committee of the Hospital Governing Committee of Tuen Mun Hospital since 2010.

Profile of the Directors and Senior Management

SENIOR MANAGEMENT

Mr. Chiang Chi Kin Stephen ("Mr. Chiang")（蔣智堅先生）, aged 44, was appointed as the deputy chief executive of the Company on 31 August 2013. Mr. Chiang graduated from the University of Wolverhampton with a bachelor's degree in laws, and qualified as a solicitor of the High Court of Hong Kong in 1998. Mr. Chiang has over 17 years of experience in corporate and commercial law. Mr. Chiang previously served as the independent non-executive directors of Greenfield Chemical Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 582) and Daqing Dairy Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 1007). He was also the deputy general manager and company secretary of Rising Development Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 1004) and the director of a number of its major subsidiaries from August 2007 to December 2012. For the year ended 31 December 2013, Mr. Chiang was entitled to an aggregate emolument of HK$218,462.22.

Management Discussion and Analysis

BUSINESS OVERVIEW

The Company and its subsidiaries (collectively, the "Group") is principally engaged in health care services, trading of ceramic products, property investment, one-stop value chain services and trading of Chinese tea.

Amid the keen competition in the markets in Hong Kong and the PRC, the Group recorded a revenue of approximately HK$19,194,000 (2012: HK$20,798,000) for the year ended 31 December 2013, representing a decrease of approximately 7.71% as compared to that of last year. For the year ended 31 December 2013, loss for the year and total other comprehensive expense for the year attributable to owners of the Company amounted to approximately HK$25,746,000 (2012: HK$21,046,000), representing an increase of approximately 22.33% as compared to that of last year; and the basic loss per share of the Company was approximately HK1.63 cent (2012: HK1.57 cent (restated)). The Group had adopted a positive, but prudent approach in evaluating business opportunities in Hong Kong and the PRC which, as transpired, has been important in preserving the competitiveness of the Group and in alleviating adverse impact brought by market volatility and economic uncertainty.

Health Care Services

In respect of the management of health care services business for the year ended 31 December 2013, this business segment reported a revenue of approximately HK$18,462,000 (2012: HK$17,834,000) and a segment loss of approximately HK$5,156,000 (2012: HK$4,835,000). The increase in loss was due to increase in rental expenses and the unstable economic environment affected the consumers' spending. The Group continues to put more resources on marketing and promotion, and expanding the beauty, facial and skincare services in order to broaden the customer base so as to boost the revenue and increase profit margin.

Trading of Ceramic Products

The trading of ceramic products has not generated any revenue for the year ended 31 December 2013 (2012: HK$2,745,000) and a segment loss of approximately HK$520,000 (2012: HK$308,000) for this year.

For the year ended 31 December 2013, due to the slowdown of the domestic economic growth, the industry has been hit by the decrease in the product demand. In the year of 2014, it is expected that the market condition of this industry will not significantly improve. Facing with the adverse factors, the Group is re-considering the market situation for the future of this line of business.

Property Investment

At 31 December 2013, the Group held properties in Hong Kong for investment purpose with a fair value of approximately HK$7,580,000 (2012: HK$7,420,000).

During the year, this business segment reported a rental income of approximately HK$13,000 (2012: HK$219,000). A net increase in fair value of investment properties of approximately HK$160,000 (2012: HK$1,320,000) as a result of the property revaluation conducted by an independent professional valuer at the end of the year of 2013. A segment profit of approximately HK$72,000 (2012: HK$1,132,000) was recorded for this year. The Group has been proactively identifying reliable tenants for enhancing its source of rental income. Given increase in demand of the property market in Hong Kong, the Group is confident that the rental income will continue to benefit from the growth trend.

One-stop Value Chain Services

The one-stop value chain business of the Group reported a revenue of approximately HK$520,000 (2012: Nil). This segment reported a loss of approximately HK$1,128,000 (2012: HK$1,095,000) for this year. This was mainly due to global economic downturns, fast changing technologies of the industry and keen competition among players in the PRC.

The keen competition in the manufacturing market in Hong Kong and the PRC always results in low profit margin. This together with the escalating operating costs and the need for capital expenditure pose high threats to the profitability and viability of the existing business. The Group will continue to take the appropriate steps to find the business opportunities in this business segment.

Trading of Chinese Tea

In the fourth quarter of the year, the Group started its business in the trading of Chinese tea. This new business segment reported a revenue of approximately HK$199,000 and a segment profit of approximately HK$74,000 for this year.

The Group's initial strategy and business plan are to put more resources to strengthen its current sales and marketing teams in order to accelerate the development of this new business segment. The Group is looking forward to developing it into one of the core businesses of the Group.

FINANCIAL REVIEW

For the year ended 31 December 2013, the Group recorded a revenue of approximately HK$19,194,000 (2012: HK$20,798,000), representing a decrease of approximately 7.71% as compared to that of last year. This decrease was mainly due to no revenue generated from trading of ceramic product in 2013.

Cost of sales for the year under review was approximately HK$15,652,000 (2012: HK$18,012,000), representing a decrease of approximately 13.10% as compared to that of last year. This decrease was in line with the decrease in revenue for the year.

Administrative expenses for the year under review was approximately HK$28,274,000 (2012: HK$21,465,000), representing an increase of approximately 31.72% as compared to that of last year. This increase was mainly due to increase in professional fee and rental expenses and the expansion into the business of trading of Chinese tea.

Finance costs for the year under review was approximately HK$1,853,000 (2012: HK$3,462,000), representing a decrease of approximately 46.48% as compared to that of last year. This decrease was mainly due to the repayment of loan amount during the year.

The Group recorded a loss attributable to owners of the Company in the amount of approximately HK$25,746,000 (2012: HK$21,046,000), representing an increase of approximately 22.33% as compared with last year. As a result, basis loss per share of the Company increased from HK1.57 cents for the year ended 31 December 2012 (restated) to HK1.63 cents for the year ended 31 December 2013.

Liquidity and Financial Resources

The Group financed its business operations mainly with its internally generated resources and borrowings during the year under review. At 31 December 2013, the bank balances and cash of the Group was approximately HK$14,552,000 (2012: HK$79,000).

At 31 December 2013, the net assets of the Group was approximately HK$10,489,000 (2012: net liabilities of HK$17,398,000) and the net current assets was approximately HK$7,317,000 (2012: net current liabilities of HK$25,292,000).

Gearing Ratio

At 31 December 2013, the total liabilities of the Group amounted to approximately HK$16,787,000 (2012: HK$31,098,000), which mainly comprised of other payables and accruals, borrowings, amounts due to a shareholder, non-controlling interests and a former fellow subsidiary, loans from a shareholder and a former fellow subsidiary and liability component of convertible bonds. All of these borrowings are denominated in Hong Kong dollars.

At 31 December 2013, the Group had total assets of approximately HK$27,276,000 (2012: HK$13,700,000). The gearing ratio of the Group, expressed as the ratio of total liabilities to total assets, decreased to 0.62 as at 31 December 2013 (2012: 2.27).

Segmental Information

An analysis of the Group's performance for the year by business segments is set out in Note 7 to the consolidated financial statements.

Employees and Remuneration Policies

As at 31 December 2013, the Group had 14 (2012: 16) full-time employees in Hong Kong. Staff costs, including directors' emoluments of the Company for the year ended 31 December 2013 were approximately HK$7,567,000 in total (2012: HK$6,315,000). The Group determines the remuneration and compensation payable to its staff based on individual performance and expertise. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution. Other benefits include retirement schemes.

Capital Structure

As at 31 December 2013, the Company's issued ordinary share capital was HK$35,177,301.20 divided into 1,758,865,060 shares of HK$0.02 each ("Shares") (2012: HK$29,317,301.20 divided into 2,931,730,120 shares of HK$0.01 each).

On 30 August 2013, the Board put forward to the Shareholders a proposal of share consolidation on the basis that every two issued and unissued Shares of HK$0.01 each in the share capital of the Company be consolidated into one consolidated share of HK$0.02 each, subject to the fulfillment of the conditions set out in the paragraph headed "Conditions of the Share Consolidation" of the announcement of the Company dated 30 August 2013 (the "Share Consolidation"). On 11 October 2013, the Share Consolidation became effective. For details, please refer to the announcements of the Company dated 30 August 2013 and 10 October 2013 and the circular dated 24 September 2013.

Increase in Authorised Share Capital

As of 31 December 2013, the authorised share capital of the Company is HK$100,000,000 consisting of (i) HK$82,608,695.70 divided into 4,130,434,785 Shares, of which 1,758,865,060 Shares have been issued and allotted as fully paid or credited as fully paid; and (ii) HK$17,391,304.30 being the nominal amount of the convertible preference shares of the Company.

Further to the announcement and circular of the Company dated 13 December 2013 and 19 February 2014. The Directors propose that the authorised share capital of the Company be increased from HK$100,000,000 to HK$200,000,000 (divided into 9,130,434,785 Shares and 173,913,043 convertible preference shares of the Company at par values of HK$0.02 and HK$0.10 respectively) by the creation of an additional 5,000,000,000 new Shares in order to facilitate the possible issue of the 800,000,000 placing shares and provide for future expansion in the share capital of the Company.

The increase in authorised share capital has become effective upon the passing of ordinary resolution at the special general meeting held on 7 March 2014.

For details, please refer to the announcements of the Company dated 13 December 2013 and 7 March 2014 and the circular of the Company dated 19 February 2014.

Fund Raising Activities

Issue of Convertible Bonds

On 22 February 2013, the Company and Top Status International Limited ("Top Status") entered into a subscription agreement (the "Subscription Agreement") in connection with the issue by the Company of convertible bonds to Top Status in the aggregate principal amount of HK$34.5 million (the "Convertible Bonds"). Top Status was a wholly-owned subsidiary of China Railway Logistics Limited (a company listed on the GEM of the Stock Exchange), the ultimate substantial shareholder of the Company and thus, a connected person of the Company and the Subscription Agreement constituted a connected transaction under the GEM Listing Rules. Upon full conversion of the Convertible Bonds, up to a maximum of 3,450,000,000 new conversion shares or 1,725,000,000 Shares after the Share Consolidation shall be issued.

The completion of the issue of Convertible Bonds took place on 30 April 2013.

Further details of the issue of Convertible Bonds are set out in the announcements of the Company dated 22 February 2013, 29 April 2013, 30 April 2013 and 10 October 2013, and the circular dated 12 April 2013.

Issue of Convertible Bonds as a consideration of an acquisition

On 13 December 2013, Skyline Top Limited ("Skyline Top"), a wholly-owned subsidiary of the Company and Mr. So Pan entered into a sale and purchase agreement, pursuant to which (i) Mr. So Pan has agreed to sell to Skyline Top, and Skyline Top has agreed to purchase from Mr. So Pan the sale shares of Konson Global Investments Limited; and (ii) Mr. So Pan has agreed to assign to Skyline Top, and Skyline Top has agreed to accept the assignment of, the sale loan at an aggregated consideration of HK$40,000,000, of which: (i) HK$20,000,000 shall be satisfied by Skyline Top by cheque or cashier order upon the completion; and (ii) HK$20,000,000 shall be satisfied by the Skyline Top's procuring of the issue of the convertible bonds at the conversion price of HK$0.188 per conversion share by the Company to Mr. So Pan upon completion.

Upon exercise of conversion rights attaching to the Convertible Bonds, 106,382,978 new shares shall be issued.

Further details of the issue of convertible bonds as a consideration of an acquisition are set out in the announcements of the Company dated 13 December 2013 and 7 March 2014 and the circular of the Company dated 19 February 2014.

Placing of New 586,000,000 Shares under General Mandate

On 16 August 2013, Kingston Securities Limited (the "Placing Agent") and the Company entered into the placing agreement pursuant to which the Company has conditionally agreed to place a maximum of 586,000,000 placing shares to not fewer than six placees at the placing price of HK$0.042 per placing share (the "Placing").

The Placing completion took place on 5 September 2013. The gross proceeds from the Placing is about HK$24.6 million while the net proceeds is approximately HK$23.9 million. Further details of the Placing are set out in the announcements of the Company dated 16 August 2013 and 5 September 2013.

Placing of New 800,000,000 Shares under Specific Mandate

On 13 December 2013, the Company and Ping An of China Securities (Hong Kong) Company Limited and FT Securities Limited (collectively, the "Co-Placing Agents") entered into the co-placing agreement, pursuant to which the Company has conditionally agreed to place, through the Co-Placing Agents on a best effort basis, a maximum of 800,000,000 placing shares at a placing price of HK$0.188 per placing share (the "Second Placing").

The gross proceeds from the Second Placing are approximately HK$150,400,000. The net proceeds, after deducting the placing commission and other related expenses, are estimated to be approximately HK$144,988,000. The relevant resolution was passed at the Company's special general meeting on 7 March 2014. The completion of the Second Placing took place on 25 March 2014. Further details of the Second Placing are set out in the announcements of the Company dated 13 December 2013, 7 March 2014 and 25 March 2014 and the circular of the Company dated 19 February 2014.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Save as disclosed in this report, there was no other material acquisitions and disposals of subsidiaries and affiliated companies during the year under review.

Discloseable Transaction – Proposed Acquisition of Konson Global Investments Limited

On 13 December 2013, the Company, Skyline Top (the "Purchaser") and Mr. So Pan (the "Vendor") entered into the sale and purchase agreement, pursuant to which (i) the Vendor has agreed to sell to the Purchaser and the Purchaser has agreed to purchase from the Vendor, the sale shares of Konson Global Investments Limited; and (ii) the Vendor has agreed to assign to the Purchaser, and the Purchaser has agreed to accept the assignment of, the sale loan at an aggregated consideration of HK$40,000,000, of which: (i) HK$20,000,000 shall be satisfied by the Purchaser by cheque or cashier order upon the completion; and (ii) HK$20,000,000 shall be satisfied by the Purchaser's procuring of the issue of the convertible bonds at the conversion price of HK$0.188 per conversion share (the "Convertible Bonds") by the Company to the Vendor upon completion (the "Proposed Acquisition").

As at the date of this report, the issue of Convertible Bonds under specific mandate has been approved by the shareholders of the Company at the special general meeting held on 7 March 2014 while the Proposed Acquisition is not yet completed.

Further details of the Proposed Acquisition and the issue of Convertible Bonds under specific mandate are set out in the announcements of the Company date 13 December 2013 and 7 March 2014 and the circular of the Company dated 19 February 2014.

Significant Investments

Save as disclosed in this report, the Group did not have any significant investment during the year ended 31 December 2013 (2012: Nil).

Charges on Group's Assets

At 31 December 2013, the Group did not have any charges on its assets (2012: HK$7,420,000).

Contingent Liabilities

At 31 December 2013, the Group did not have any significant contingent liabilities (2012: Nil).

Capital Commitments

At 31 December 2013, the Group did not have any significant capital commitments (2012: Nil).

Exposure to Fluctuation in Exchange Rates

All of the Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollars or Renminbi or New Taiwan dollars. The Directors do not consider that the Group is exposed to any material foreign currency exchange risk. Therefore, no hedging devices or other alternative have been implemented.

Events after the Reporting Period

Details are set out in note 39 to the consolidated financial statements.

OUTLOOK AND PROSPECTS

For the health care services business, the Group continues its marketing and promotion efforts to broaden the customer base. Together with the increasing number of individual travelers from the PRC, the Group believes that the income from this business segment will continue to benefit from this growth trend.

The Group believes the IT and telecommunications market still has ample growth potential despite the difficult market environment and competitive landscape. The Group will continue to take appropriate steps to align its investment with objectives and review its business portfolio where it is appropriate, so as to increase its shareholder value.

In order to diversify the trading business by different products of the Company during ordinary course of business, (i) a wholly-owned subsidiary of the Group entered into a sole distribution agreement in October 2013 with one of the largest tea producers in Yunnan, PRC to distribute "Pu-Er" tea in the region of Hong Kong, Taiwan and Macau; and (ii) the Group entered into a sale and purchase agreement in October 2013 with an independent third party to acquire a controlling stake (representing totaling approximately 60 percent of the shareholding of the TW JV Company (as defined below)) in a HK-Taiwan joint venture trading company (the "TW JV Company") in Taiwan which will conduct trading of agricultural products, including but not limited to, organic rice, deep ocean water and fertilizer, between Taiwan and the PRC.

The Group will continue reviewing and participating in negotiations of business developments and/or investments, especially in agricultural sector, according to the Group's business strategies and development needs.

Directors' Report

The Directors present the annual report and audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 37 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 28 of this annual report.

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

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on pages 93 to 94 of this annual report.

PLANT AND EQUIPMENT

Details of movements in plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer accounted for approximately 2.71% (2012: 13%) of the Group's turnover, and the largest supplier accounted for approximately 3.24% (2012: 18%) of the Group's cost of sales, for the year ended 31 December 2013. To the best knowledge of the Directors, at no time during the year, any Director or his associates or any shareholder (who owned more than 5% of the Company's issued share capital) has any interest in the above-mentioned customers or suppliers.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in Note 28 to the consolidated financial statements.

REDEEMABLE CONVERTIBLE PREFERENCE SHARES

Details of movements during the year in the redeemable convertible preference shares of the Company are set out in Note 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group are presented in the consolidated statement of changes in equity on page 88 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company did not have any reserves available for cash/in special dividend distribution to shareholders of the Company.

SHARE OPTION SCHEME

The Company has adopted a new share option scheme on 6 May 2011 (the "Share Option Scheme"). During the year ended 31 December 2013 (the "Year"), there was no share option granted, exercised, cancelled or lapsed under the Share Option Scheme and there was no share option remained outstanding at the beginning and at the end of the Year under the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years from 6 May 2011 to 5 May 2021, unless terminated otherwise as in accordance with the provisions of the Share Option Scheme. The purpose of the Share Option Scheme is to enable the Group to grant options to eligible participants the Directors may at its absolute discretion select as incentives or rewards for their contribution to the Group. Eligible participants include any employee (whether full-time or part-time, including executive directors, non-executive directors and independent non-executive directors), shareholder, customer, supplier of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest; any person or entity that provides research, development or other technological support, any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). 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 Shareholders' approval in general meeting of the Company. Where any grant of options to a substantial Shareholder or an independent non-executive director of the Company or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the shares in issue; and (ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million; such further grant of options must be approved by the Shareholders in general meeting.

SHARE OPTION SCHEME (continued)

An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination as set out in the Share Option Scheme. 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 Share Option Scheme for the holding of an option before it can be exercised.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The subscription price for shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the higher of (i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

At the annual general meeting of the Company held on 6 May 2011, the Company was also authorised to issue up to 242,459,969 shares (i.e. 121,229,984 consolidated shares upon the share consolidation effective on 11 October 2013) upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group, being 10% of the shares in issue on 6 May 2011 (the "General Scheme Limit"). The Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit to participants specifically identified by the Company before such approval is sought. Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

As at the date of this report, no option has been granted under the General Mandate, as such, a maximum of 121,229,984 shares is available for issuance under the Share Option Scheme.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the year were:

Executive Directors

Mr. Tsang Chi Hin *(Chief Executive)*
Mr. Chu Yu Man, Philip

Independent Non-executive Directors

Mr. Cheung Tak Shum
Mr. Lau Tin Cheung
Mr. Tsang Hin Fun, Anthony (appointed on 22 September 2013)
Mr. Chau Chi Ming (resigned on 22 September 2013)

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (continued)

Each independent non-executive Director has signed an appointment letter with the Company for a fixed term of two years and may be terminated by not less than three months prior notice in writing served by either party to the other in accordance with the provisions set out in the respective appointment letter.

Each of the executive Directors has entered into a service agreement dated 6 October 2008 with the Company for an initial fixed term of two years commencing from 30 September 2008 and will continue thereafter until terminated by not less than six months' notice in writing served by either party to the other in accordance with the provisions set out in the respective service agreement. Each of the executive Directors may receive a discretionary bonus, the amount of which will be determined by the Board at its absolute discretion having regard to the operation results of the Company and performance of the Directors.

None of the Directors who are proposed for re-election at the AGM 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.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors; namely, Mr. Cheung Tak Shum, Mr. Lau Tin Cheung and Mr. Tsang Hin Fun, Anthony, an annual confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all of the independent non-executive Directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2013.

EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, chief executive and the five highest paid individuals of the Group are set out in Notes 11 and 12 to the consolidated financial statements, respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2013, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the sections "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS" and "SHARE OPTION SCHEME" above, at no time during the year ended 31 December 2013 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement whose objects are, or whose object is, to enable the Directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware of and having made due enquiries, as at 31 December 2013, the following parties, other than the Directors or the chief executive of the Company, had interests or short positions directly or indirectly in the shares and underlying shares of the Company disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the shares and underlying shares of the Company:

		Shares		Underlying Shares	
Name	**Capacity**	**Number of Shares**	**Approximate percentage of the issued share capital** *(Note 1)*	**Number of underlying Shares**	**Approximate percentage of the issued share capital** *(Note 1)*
Chinese Strategic Holdings Limited *(Note 2)*	Interest of controlled corporation	368,953,215 (L)	20.98%	1,725,000,000 (S) *(Note 5)*	98.07%
Top Status International Limited *(Note 2)*	Beneficial owner	368,953,215 (L)	20.98%	1,725,000,000 (S) *(Note 5)*	98.07%
So Chi Yuk *(Note 3)*	Interest of controlled corporation	–	–	1,725,000,000 (L) *(Note 6)*	98.07%
Sino Coronet Limited *(Note 3)*	Beneficial owner	–	–	1,725,000,000 (L) *(Note 6)*	98.07%
Huang Zhen Da *(Note 4)*	Interest of controlled corporation	212,070,000 (L)	12.05%	–	–
International Chaoshang Investment Group Limited *(Note 4)*	Beneficial owner	212,070,000 (L)	12.05%	–	–

* The Letter "L" denotes a long position in the Shares or the underlying Shares.
The Letter "S" denotes a short position in the underlying Shares.

Notes:

1. As at 31 December 2013, the Company's issued ordinary share capital was HK$35,177,301.20 divided into 1,758,865,060 Shares of HK$0.02 each.

2. Top Status International Limited ("Top Status"), a company incorporated in the British Virgin Islands with limited liability. Top Status is wholly-owned by Rich Best Asia Limited ("Rich Best"), a company incorporated in the British Virgin Islands. Rich Best is in turn wholly-owned by Chinese Strategic Holdings Limited (Stock code: 8089) ("Chinese Strategic"), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on GEM of the Stock Exchange. As such, each of Rich Best and Chinese Strategic is deemed to be interested in these shares.

3. Sino Coronet Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by So Chi Yuk. As such, So Chi Yuk is deemed to be interested in these Convertible Bonds.

4. International Chaoshang Investment Group Limited, a company incorporated in Hong Kong with limited liability and is 40% owned by Huang Zhen Da. As such, Huang Zhen Da is deemed to be interested in these shares.

5. Pursuant to a subscription agreement entered into on 22 February 2013 with respect of the subscription of the convertible bonds in principal amount of HK$34,500,000 (the "Convertible Bonds"), the Company had issued Convertible Bonds to Top Status in principal amount of HK$34,500,000 convertible into 3,450,000,000 new shares at conversion price of HK$0.01 per Share on 30 April 2013. As a result of the Share Consolidation took effect on 11 October 2013, the conversion price of the outstanding Convertible Bonds has been adjusted from HK$0.01 per Share to HK$0.02 per Consolidated Share; and the aggregate number of Consolidated Shares falling to be issued upon exercise of the conversion rights attached to the outstanding Convertible Bonds in full will be adjusted from 3,450,000,000 Shares to 1,725,000,000 Consolidated Shares.

6. Reference is made to the announcement of Chinese Strategic dated 2 August 2013, Top Status proposed to dispose the Convertible Bonds to Sino Coronet Limited (the "Disposal"). As of 31 December 2013, the Disposal was not yet completed, which was subsequently completed on 8 January 2014.

Save as disclosed above, the Company is not aware of any other person, other than a director or the chief executive of the Company, who held interests or short positions in the shares and underlying shares of the Company as at 31 December 2013 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2013, neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

RELATED PARTY TRANSACTIONS

Details of the related party transactions during the year ended 31 December 2013 are set out in Note 35 to the consolidated financial statements, certain of which constituted connected transactions that are exempt from the reporting, announcement and independent shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

COMPETING INTERESTS

None of the Directors or controlling shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that compete with the business of the Group or has or may have any other conflict of interest with the Group during the year ended 31 December 2013.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in Note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there is no restriction against such under the laws in Bermuda.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this report.

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set up by the remuneration committee of the Company on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to market competitiveness, individual performance and achievement.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out under the section headed "Share Option Scheme" above and also in Note 32 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the GEM Listing Rules during the year and up to the date of this report.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 31 July 2001 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee currently comprises three independent non-executive Directors; namely, Mr. Tsang Hin Fun, Anthony (Chairman of the Audit Committee), Mr. Cheung Tak Shum and Mr. Lau Tin Cheung.

The audited financial results of the Group for the year ended 31 December 2013 have been reviewed by the Audit Committee.

AUDITORS

SHINEWING (HK) CPA Limited ("SHINEWING") was appointed as auditors of the Company on 18 December 2008 and subsequently re-appointed as auditors of the Company at the last three annual general meetings of the Company held on 6 May 2011, 22 June 2012 and 16 May 2013. The consolidated financial statements for the years ended 31 December 2010, 2011 and 2012 of the Company were audited by SHINEWING. A resolution for the re-appointment of SHINEWING as auditors of the Company will be proposed at the forthcoming AGM.

By Order of the Board
Tsang Chi Hin
Chief Executive and Executive Director

Hong Kong, 25 March 2014

INTRODUCTION

The board of Directors (the "Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders of the Company.

The Company has complied with the applicable code provisions on Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 15 to the GEM Listing Rules throughout the year under review except for the following deviations:

The code provision A.2.1 of the Code provides, among others, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Throughout the year, the Company did not appoint a chairman. The Board will keep reviewing the structure of the Board from time to time. If candidate with suitable knowledge, skills and experience is identified, the Company will make appointment to fill the post of chairman as appropriate.

Under code provision A.2.7 of the Code, the chairman of board should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As the Company does not have the Chairman, no such meeting was held in this regard for the year ended 31 December 2013.

Under code provision A.6.7 of the Code, independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Some Directors were absent from the special general meeting held on 10 October 2013 due to their other important engagement at the relevant time.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in such code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2013.

BOARD OF DIRECTORS

The Board currently comprises five Directors, two are executive Directors and three are independent non-executive Directors.

The Board members for the year ended 31 December 2013 and up to the date of this report are:

Executive Directors

Mr. Tsang Chi Hin *(Chief Executive)*
Mr. Chu Yu Man, Philip

Independent Non-executive Directors

Mr. Cheung Tak Shum
Mr. Lau Tin Cheung
Mr. Tsang Hin Fun, Anthony (appointed on 22 September 2013)
Mr. Chau Chi Ming (resigned on 22 September 2013)

The Directors' biographical information are set out on pages 3 to 4 in this report. All executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board.

Throughout the year ended 31 December 2013, the Board consisted of 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. One of the independent non-executive Directors has appropriate professional qualification or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules. Each independent non-executive Director has signed an appointment letter with the Company for an initial fixed term of two years and may be terminated by not less than three months prior notice in writing served by either party to the other or in accordance with the provisions set out in the respective appointment letter.

The Board considers that all of the independent non-executive Directors are independent and have received from each of them the annual confirmation of independence required by Rule 5.09 of the GEM Listing Rules.

The Board is responsible for approving and monitoring of the Group's overall strategies and policies; approving of business plans; evaluating the performance of the Group and overseeing the management. The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to the executive Directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive Directors who have attended Board meetings.

The Company has arranged insurance coverage on Directors' and officers' liabilities in respect of any legal actions which may be taken against its Directors and officers in the execution and discharge of their duties or in relation thereto.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE

The Board meets regularly for at least four times a year to review the financial and operating performance of the Group.

Details of the attendance record of each Director at the meetings of the Board and general meetings of the Company are as follows:

	Attendance of Board Meetings	General Meetings
Executive Directors		
Mr. Tsang Chi Hin *(Chief Executive)*	18/18	3/3
Mr. Chu Yu Man, Philip	18/18	2/3
Independent Non-executive Directors		
Mr. Cheung Tak Shum	17/18	3/3
Mr. Lau Tin Cheung	17/18	3/3
Mr. Tsang Hin Fun, Anthony (appointed on 22 September 2013)	4/4	0/1
Mr. Chau Chi Ming (resigned on 22 September 2013)	13/14	2/2

BOARD PRACTICES

Apart from the above mentioned regular Board meetings of the year ended 31 December 2013, the Board met on other occasions when a board-level decision on a particular matter was required. The Directors received detailed agenda and documents prior to the meetings of the Board to ensure that the Directors were able to make informed decisions regarding the matters discussed in the meetings so that they may receive accurate, timely and clear information. All Directors may access the advice, regulatory updates on governance and regulatory matters from professional parties.

The Company Secretary and the company secretarial team are responsible to take and keep minutes of all Board meetings and committee meetings and ensure compliance with the procedures of the Board meetings and general meetings of the Company. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

TRAINING FOR DIRECTORS

Each newly appointed director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors at the Board meetings. Trainings conducted by professional service provider regarding Listing Rules' updates on corporate governance have been provided to the Directors to ensure a high standard of corporate governance is upheld and that the Directors possess up-to-date information to discharge their duties.

The Directors are committed to complying with Code Provision A.6.5 of the CG Code on Directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the year ended 31 December 2013 to the Company.

All of the directors of the Company, namely, Mr. Tsang Chi Hin, Mr. Chu Yu Man, Philip, Mr. Cheung Tak Shum, Mr. Lau Tin Cheung, Mr. Tsang Hin Fun, Anthony (appointed on 22 September 2013) and Mr. Chau Chi Ming (resigned on 22 September 2013), have attended training sessions or seminars organized by external professionals relevant to the business or directors' duties for the year ended 31 December 2013.

CHAIRMAN AND CHIEF EXECUTIVE

The positions and roles of chairman of the Board and chief executive of the Company should be held and performed separately by two individuals to ensure their respective independence, accountability and responsibility. The chief executive, being Mr. Tsang Chi Hin, is responsible for the day-to-day management of the Group's business. During the year, the Company did not appoint a chairman.

The Board will keep reviewing the current structure from time to time. If candidate with suitable knowledge, skills and experience is identified, the Company will make appointment to fill the post as appropriate.

REMUNERATION OF DIRECTORS

The remuneration committee of the Company (the "Remuneration Committee") had been formed in 2005 pursuant to a resolution passed by the Board. Following the re-domicile of the Company from the Cayman Islands into Bermuda in October 2007, it was re-established pursuant to a resolution passed by the Board on 15 February 2008 and specific terms of reference were adopted. As at the date of this report, the Remuneration Committee comprises three members, all are independent non-executive Directors, namely Mr. Cheung Tak Shum, Mr. Lau Tin Cheung and Mr. Tsang Hin Fun, Anthony. Mr. Cheung Tak Shum is the chairman of the Remuneration Committee.

The role and function written in the terms of reference of the Remuneration Committee are no less exacting terms than the Code. The Remuneration Committee makes recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee also reviews and recommends the Board on its proposals relating to the remuneration of the executive Directors with reference to the Board's corporate goal and objectives. No Directors or any of his/her associates can be involved in deciding his/her own remuneration. Factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration are considered by the Remuneration Committee to determine the remuneration package of individual executive Directors including benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment; or relating to dismissal or removal for misconduct to ensure that it is consistent with contractual terms and is otherwise fair, not excessive, reasonable and appropriate.

Frequency of Meetings and Attendance

For the year ended 31 December 2013, the remuneration committee of the Company held three meetings to review the remuneration packages of all Directors and senior management and to advise on remuneration packages of newly appointed Director and senior management. Details of the attendance of the meeting is as follows:

Name of member	Attendance
Mr. Cheung Tak Shum *(Chairman)*	3/3
Mr. Lau Tin Cheung	3/3
Mr. Tsang Hin Fun, Anthony (appointed on 22 September 2013)	N/A
Mr. Chau Chi Ming (resigned on 22 September 2013)	2/3

NOMINATION OF DIRECTORS

The nomination committee of the Company (the "Nomination Committee") had been formed in 2005 pursuant to a resolution passed by the Board. Following the re-domicile of the Company from the Cayman Islands into Bermuda in October 2007, the Nomination Committee was re-established pursuant to a resolution passed by the Board on 15 February 2008 and specific terms of reference were adopted. As at the date of this report, the Nomination Committee comprises four members, of which majority are independent non-executive Directors, namely, Mr. Tsang Chi Hin, Mr. Cheung Tak Shum, Mr. Lau Tin Cheung and Mr. Tsang Hin Fun, Anthony. Mr. Lau Tin Cheung is the chairman of the Nomination Committee.

The functions of the Nomination Committee are reviewing and supervising the structure, size and composition of the Board, identifying qualified individuals to become members of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and and senior management.

Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive Director, the Company's needs and other relevant statutory requirements and regulations.

Frequency of Meetings and Attendance

For the year ended 31 December 2013, the Nomination Committee held three meetings to review the composition, size and structure of the Board, to assess the independence of the independent non-executive Directors and to make recommendations to the Board on the appointment of Directors and senior management. Details of the attendance of the meetings are as follows:

Name of member	Attendance
Mr. Lau Tin Cheung *(Chairman)*	3/3
Mr. Tsang Chi Hin	3/3
Mr. Cheung Tak Shum	3/3
Mr. Tsang Hin Fun, Anthony (appointed on 22 September 2013)	N/A
Mr. Chau Chi Ming (resigned on 22 September 2013)	2/3

AUDIT COMMITTEE

The Company established the Audit Committee on 31 July 2001. It has written terms of reference in compliance with the code provisions of the Code. The Audit Committee currently comprises Mr. Tsang Hin Fun, Anthony, Mr. Cheung Tak Shum and Mr. Lau Tin Cheung, who are the independent non-executive Directors. The chairman of the Audit Committee is Mr. Tsang Hin Fun, Anthony.

The responsibilities of the Audit Committee include making recommendations to the Board on the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the quarterly, interim and annual reports and accounts of the Group; and supervising the financial reporting process and effectiveness of internal control system of the Group. The Audit Committee had during the year performed such functions and reviewed the unaudited quarterly and interim results and audited annual results during the year ended 31 December 2013.

Frequency of Meetings and Attendance

For the year ended 31 December 2013, the audit committee of the Company held five meetings to review and supervise the financial reporting process and internal control review and make recommendation to the Board on reappointment of the external auditor. They had, in conjunction with the external auditor of the Company, reviewed the annual results of the Group and recommended to the Board for their consideration and approval. The audit committee of the Company was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Details of the attendance of the Company's audit committee meetings are as follows:

Name of member	**Attendance**
Mr. Tsang Hin Fun, Anthony *(Chairman)* (appointed on 22 September 2013)	2/2
Mr. Cheung Tak Shum	5/5
Mr. Lau Tin Cheung	5/5
Mr. Chau Chi Ming *(Chairman)* (resigned on 22 September 2013)	3/3

CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for performing the corporate governance duties with its written terms of reference as set out below:

a) to develop and review the Company's policies and practices on corporate governance;

b) to review and monitor the training and continuous professional development of Directors and senior management;

c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

e) to review the Company's compliance with the corporate governance code and disclosure in the Corporate Governance Report.

AUDITORS' REMUNERATION

An amount of approximately HK$460,000 (2012: approximately HK$420,000) was charged to the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013. There was no significant non-audit service assignment undertaken by the auditors during the year.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's account for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the audited consolidated financial statements for the year ended 31 December 2013, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The auditors of the Company acknowledge their responsibilities in the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2013.

COMPANY SECRETARY

For the year ended 31 December 2013, Ms. Lo Oi Lan ("Ms. Lo") has resigned as the company secretary of the Company (the "Company Secretary"), and Ms. Yip Zodia Wang ("Ms. Yip") has been appointed as the Company Secretary, both with effect from 9 August 2013. Pursuant to Rule 5.15 of the GEM Listing Rules, each of Ms. Lo and Ms. Yip has taken no less than 15 hours of relevant professional training during the year ended 31 December 2013.

Ms. Yip is delegated by an external service provider and the primary corporate contact point is Ms. Monica Tsang, the Administration Manager of the Company.

Ms. Yip is an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. She has extensive professional experience in company secretarial practice.

SHAREHOLDERS' RIGHTS

Right to convene special general meeting

The Directors, on the requisition of shareholder(s) of the Company holding at the date of the 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 rights, 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.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company in Bermuda and its principal place of business in Hong Kong for the attention of the Company Secretary.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of two months from the said date.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the head office of the Company in Hong Kong or the registered office in Bermuda, or by e-mail to info@chinaeco-farming.com for the attention of the Company Secretary.

Right to put forward proposals at general meetings

On the requisition in writing of either (i) any number of shareholder(s) of the Company representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than 100 shareholders, the Company shall, at the expense of the requisitionists: (a) to give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; (b) to circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be signed by the requisitionists and deposited at the head office and principal place of business in Hong Kong of the Company for the attention of the Company Secretary.

INVESTORS AND SHAREHOLDERS RELATIONS

The Board recognises the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. The Company has disclosed all necessary information to its shareholders and investors in compliance with the GEM Listing Rules. Moreover, the Board maintains close communications with the shareholders and investors of the Company through a number of formal communication channels which include (i) the publication of the Company's latest business developments and financial performance through its annual, interim and quarterly reports, notices, announcements and circulars; (ii) the general meetings providing an opportunity for the shareholders of the Company to raise comments and exchanging views with the Board; and (iii) the Company's website provides an effective communication platform between the Company and its investors.

During the year of 2013, the Company has updated the Company's constitutional documents by changing the share capital of the Company from HK$50,000,000.00 to HK$100,000,000 and the number of ordinary shares and the nominal value or par value per ordinary share from 3,260,869,570 and HK$0.01 to 4,130,434,785 and HK$0.02 respectively following the increase in authorized share capital of the Company on 29 April 2013 and the share consolidation on 10 October 2013. Please refer to the Company's circular dated 22 February 2013 and 12 April 2013 for details of the increase in authorized share capital of the Company and Company's circular dated 24 September 2013 and the Company's announcements dated 30 August 2013 and 10 October 2013 for share consolidation.

INTERNAL CONTROL

The Board and the Audit Committee have conducted a review of the effectiveness of the Group's internal control system. The internal control system is designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.

Procedures have been set up for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control system on an ongoing basis.

The Board considered that the internal control system of the Group is effective and the Audit Committee have found no material deficiencies on the internal control system.

Independent Auditor's Report

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF CHINA ECO-FARMING LIMITED

(Incorporated in the Cayman Islands and continued into Bermuda with limited liability)

We have audited the consolidated financial statements of China Eco-Farming Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 92, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong
25 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
Revenue	5	**19,194**	20,798
Cost of sales		**(15,652)**	(18,012)
Gross profit		**3,542**	2,786
Other revenue	6	**158**	14
Reclassification adjustments for the cumulative gain included in profit or loss upon early redemption of convertible bonds		**–**	790
Increase in fair value of investment properties, net	16	**160**	1,320
Increase in fair value of financial asset at fair value through profit or loss		**436**	–
Gain on early redemption of convertible bonds	26	**–**	272
Administrative expenses		**(28,274)**	(21,465)
Finance costs	8	**(1,853)**	(3,462)
Gain (loss) on disposal of interest in a subsidiary	34	**86**	(688)
Impairment loss on available-for-sale investments	18	**–**	(500)
Impairment loss on investment in an associate	17	**–**	(1)
Change in fair value of embedded conversion option of exchangeable bond	18	**–**	(112)
Loss before taxation		**(25,745)**	(21,046)
Taxation	9	**(15)**	–
Loss for the year	10	**(25,760)**	(21,046)
Other comprehensive income (expense) for the year:			
Items that might be reclassified to profit or loss:			
Change in fair value of available-for-sale investments	18	**–**	790
Reclassification adjustments for the cumulative gain included in profit or loss upon early redemption of convertible bonds		**–**	(790)
Other comprehensive income (expense) for the year		**–**	–
Total comprehensive expense for the year		**(25,760)**	(21,046)
Loss for the year attributable to:			
Owners of the Company		**(25,746)**	(21,046)
Non-controlling interests		**(14)**	–
		(25,760)	(21,046)
Total comprehensive expense attributable to:			
Owners of the Company		**(25,746)**	(21,046)
Non-controlling interests		**(14)**	–
		(25,760)	(21,046)
Loss per share	14		
Basic and diluted (HK cents) (restated)		**(1.63)**	(1.57)

Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Plant and equipment	15	**394**	470
Investment properties	16	**7,580**	7,420
Investment in an associate	17	**–**	–
Available-for-sale investments	18	**4**	4
		7,978	7,894
Current assets			
Trade and other receivables	19	**2,322**	4,527
Deposit paid for operating right		**1,200**	1,200
Financial asset at fair value through profit or loss	20	**1,224**	–
Bank balances and cash	21	**14,552**	79
		19,298	5,806
Current liabilities			
Other payables and accruals		**4,647**	4,820
Amount due to a former fellow subsidiary	22	**60**	600
Amount due to a shareholder	22	**129**	306
Amount due to non-controlling interests	22	**808**	–
Income tax payable		**37**	22
Borrowings	23	**–**	9,050
Loan from a former fellow subsidiary	24	**2,000**	12,000
Loan from a shareholder	24	**4,300**	4,300
		11,981	31,098
Net current assets (liabilities)		**7,317**	(25,292)
Total assets less current liabilities		**15,295**	(17,398)
Non-current liability			
Convertible bonds	26	**4,806**	–
Net assets (liabilities)		**10,489**	(17,398)
Capital and reserves			
Share capital	28	**35,177**	29,317
Reserves		**(24,674)**	(46,715)
Equity attributable to owners of the Company		**10,503**	(17,398)
Non-controlling interests		**(14)**	–
Total equity		**10,489**	(17,398)

The consolidated financial statements on pages 28 to 92 were approved and authorised for issue by the board of directors on 25 March 2014 and are signed on its behalf by:

Tsang Chi Hin	**Chu Yu Man, Philip**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Equity component of convertible preference shares HK$'000 *(Note 25)*	Equity component of convertible bonds HK$'000 *(Note 26)*	Investment revaluation reserve HK$'000	Special Reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	24,246	11,066	538	–	–	6,026	(59,303)	(17,427)	–	(17,427)
Loss for the year	–	–	–	–	–	–	(21,046)	(21,046)	–	(21,046)
Other comprehensive income (expenses) for the year										
– Change in fair value of available-for-sale investments	–	–	–	–	790	–	–	790	–	790
– Reclassification adjustments for the cumulative gain included in profit or loss upon early redemption of convertible bonds	–	–	–	–	(790)	–	–	(790)	–	(790)
Total comprehensive expense for the year	–	–	–	–	–	–	(21,046)	(21,046)	–	(21,046)
Placing of new shares *(Note 28)*	2,800	16,240	–	–	–	–	–	19,040	–	19,040
Transaction costs attributable to placing of new shares	–	(592)	–	–	–	–	–	(592)	–	(592)
Recognition of equity component of convertible bonds *(Note 26)*	–	–	–	986	–	–	–	986	–	986
Early redemption of convertible bonds *(Note 26)*	–	–	–	(971)	–	–	–	(971)	–	(971)
Transfer to accumulated losses upon early redemption of convertible bonds *(Note 26)*	–	–	–	(15)	–	–	15	–	–	–
Issue of shares upon conversion of convertible preference shares *(Note 28)*	2,271	879	(538)	–	–	–	–	2,612	–	2,612
At 31 December 2012	29,317	27,593	–	–	–	6,026	(80,334)	(17,398)	–	(17,398)

	Attributable to owners of the Company									
	Share Capital HK$'000 *(Note 28)*	Share premium HK$'000	Equity component of convertible preference shares HK$'000	Equity component of convertible bonds HK$'000 *(Note 26)*	Investment revaluation reserve HK$'000	Special Reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	29,317	27,593	–	–	–	6,026	(80,334)	(17,398)	–	(17,398)
Loss for the year and total comprehensive expense for the year	–	–	–	–	–	–	(25,746)	(25,746)	(14)	(25,760)
Placing of new shares *(Note 28)*	5,860	18,752	–	–	–	–	–	24,612	–	24,612
Transaction costs attributable to placing of new shares	–	(616)	–	–	–	–	–	(616)	–	(616)
Recognition of equity component of convertible bonds *(Note 26)*	–	–	–	29,651	–	–	–	29,651	–	29,651
At 31 December 2013	35,177	45,729	–	29,651	–	6,026	(106,080)	10,503	(14)	10,489

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(25,745)**	(21,046)
Adjustments for:		
Finance costs	**1,853**	3,462
Depreciation for plant and equipment	**215**	1,440
Purchase of financial asset at fair value through profit or loss	**(788)**	–
Increase in fair value of financial asset at fair value through profit or loss	**(436)**	–
Increase in fair value of investment properties, net	**(160)**	(1,320)
(Gain) loss on disposal of interest in a subsidiary	**(86)**	688
Loss on disposal of plant and equipment	**–**	4
Interest income	**–**	(1)
Gain on early redemption of convertible bonds	**–**	(272)
Reclassification adjustments for the cumulative gain included in profit or loss upon early redemption of convertible bonds	**–**	(790)
Change in fair value of embedded conversion option of exchangeable bond	**–**	112
Impairment loss on plant and equipment	**–**	160
Impairment loss on investment in an associate	**–**	1
Impairment loss on available-for-sale investments	**–**	500
Impairment loss on trade and other receivables	**800**	328
Operating cash flows before movements in working capital	**(24,347)**	(16,734)
Decrease (increase) in trade and other receivables	**905**	(127)
Increase in other payables and accruals	**383**	2,611
NET CASH USED IN OPERATING ACTIVITIES	**(23,059)**	(14,250)
INVESTING ACTIVITIES		
Interest received	**–**	1
Purchase of plant and equipment	**(139)**	(128)
Net cash inflow from disposal of interest in a subsidiary *(Note 34)*	**30**	2,680
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(109)**	2,553
FINANCING ACTIVITIES		
Proceeds from issue of convertible bonds	**23,500**	5,600
Transaction costs from issue of convertible bonds	**(585)**	(301)
Interest paid	**(1,028)**	(2,333)
Advance from non-controlling interests	**808**	–
Repayment of borrowings	**(13,850)**	(6,600)
New borrowings raised	**4,800**	–
Proceeds from issue of new shares	**24,612**	19,040
Transaction costs from issue of new shares	**(616)**	(592)
Repayment of loan to a shareholder	**–**	(3,700)
NET CASH FROM FINANCING ACTIVITIES	**37,641**	11,114
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**14,473**	(583)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**79**	662
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**14,552**	79

1. GENERAL AND BASIS OF PREPARATION

General

China Eco-Farming Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Company Law of the Cayman Islands on 30 November 2000.

The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 5 February 2002. The addresses of the registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is Room 1301, 13/F., 299 QRC, 287-299 Queen's Road Central, Hong Kong. The directors of the Company do not consider any company to be the ultimate holding company and parent company of the Company.

During the year ended 31 December 2007, the Company re-domiciled from the Cayman Islands into Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The change of domicile was approved by the shareholders of the Company on 15 October 2007 and the Company was continued into Bermuda with limited liability with effect from 29 October 2007.

The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the business of one-stop value chain services, health care services, property investment and trading of ceramic products and Chinese tea.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China ("PRC") and Taiwan whose functional currencies are Renminbi ("RMB") and Taiwan New Dollar ("TND") respectively, the functional currency of the Company and its subsidiaries is HK$.

Basis of preparation

The Group had continuously incurring losses in these years. This condition indicates the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern. Nevertheless, these consolidated financial statements of the Group have been prepared on a going concern basis. In the opinion of the directors of the Company, the Group is able to operate as a going concern in the coming year after taking into consideration the following:

(i) On 13 December 2013, the Company entered into a co-placing agreement with the co-placing agents. The Company announced to place a maximum of 800,000,000 placing shares of HK$0.188 per placing share in the net principal amount of approximately HK$144,988,000 after deducting placing transaction costs, of which the net total proceeds of approximately HK$144,988,000 has been fully received by the Company on 24 March 2014 and all the conditions for the co-placing have been fulfilled.

(ii) In respect of the co-placing, resolutions were passed on the Company's special general meeting on 7 March 2014. On 25 March 2014, the placing of 800,000,000 ordinary shares in the Company was completed. Further details of this transaction are set out in the Company's announcement dated 25 March 2014.

The directors of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2013. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2013 on a going concern basis.

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

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

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

* *IFRIC represents the International Financial Reporting Interpretations Committee.*

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

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

The Group has applied the amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the disclosures or on the amounts reported in the Group as the Group has not entered into any master netting agreement during the reporting periods.

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

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

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

Impact of the application of HKFRS 10

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.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that it has had control over all of its subsidiaries and the application of HKFRS 10 does not result in any change in control conclusion. Therefore, the application of HKFRS 10 has no material impact on the Group's consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The directors of the Company reviewed the disclosure of the Group's interests in subsidiaries and associates, and concluded that the application of HKFRS 12 has not had material impact to the disclosure of the consolidated financial statements.

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

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, 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.

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 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. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 16 and 30c for the 2013 disclosures). Other than the additional disclosures, 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 Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee benefits[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial asset[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

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, excepts as disclosed below. Early application is permitted.*
3. *Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.*
4. *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*

Annual Improvements to HKFRSs 2010-2012 Cycle

The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability.

Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

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

Annual Improvements to HKFRSs 2010-2012 Cycle (continued)

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010-2012 Cycle* will have a material effect on the Group's consolidated financial statements.

HKFRS 9 – Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

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

HKFRS 9 – Financial Instruments (continued)

Key requirements of HKFRS 9 are described as follows:

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

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

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

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

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

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

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

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

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

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

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

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

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

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

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principle accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Group has:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income or expense of subsidiaries are 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.

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

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

The financial statements of associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment over their estimated useful lives using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Investment properties

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

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

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

(i) Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments (other than those financial assets classified as at FVTPL) and recognised in other revenue in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Financial assets at FVTPL

Financial assets at FVTPL are either held for trading or designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

A financial asset designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss is included in the "change in fair value of embedded conversion option of exchangeable bond" in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 30 (c).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposit paid for operating right and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated the debt portion of the exchangeable bond and the unlisted equity investments as available-for-sale investments on initial recognition of the financial assets.

Debt portion of the exchangeable bond held by the Group that are classified as available-for-sale are measured at fair value at the end of each reporting period. Any changes in fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period (see accounting policy in respect of impairment of financial assets below).

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

Impairment of financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Financial liabilities and equity instruments

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

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 financial liabilities

Other financial liabilities including other payables and accruals, amounts due to a former fellow subsidiary, a shareholder and non-controlling interests, borrowings and loan from a former fellow subsidiary and a shareholder and debt component of convertible bonds, are subsequently measured at amortised cost, using the effective interest method.

Convertible preference shares

Convertible preference shares issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible preference shares and the fair value assigned to the liability component, representing the conversion option for the holder to convert the preference shares into equity, is included in equity (equity component of convertible preference shares).

In subsequent periods, the liability component of the convertible preference shares is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in equity component of convertible preference shares until the embedded option is exercised (in which case the balance stated in equity component of convertible preference shares will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in equity component of convertible preference shares will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Financial liabilities and equity instruments (continued)

Convertible preference shares (continued)

Transaction costs that relate to the issue of the convertible preference shares are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible preference shares using the effective interest method.

Equity instruments

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

Convertible bonds contain liability and equity components

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (equity component of convertible bonds).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in equity component of convertible bonds until the embedded option is exercised (in which case the balance stated in equity component of convertible bonds will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in equity component of convertible bonds will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iii) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another entity.

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

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of derivatives, their risks and characteristics are not closely related to those of the host contracts; and the host contracts are measured at fair value with changes recognised in other comprehensive income.

Revenue recognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Rental income from operating leases is recognised on a straight-line basis over the terms of the relevant leases.

Service income is recognised when services are provided.

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

Dividend income from investments including financial asset at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment properties are depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on straight-line basis over the term of the relevant leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme contributions

Payments to the Mandatory Provident Fund Scheme ("MPF") are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

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

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make 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.

Key sources of estimation uncertainty

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

Allowance for doubtful debts

Allowance for doubtful debts is made based on the assessment of the recoverability of trade and other receivables. The identification of doubtful debts requires the directors of the Company to make judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of trade and other receivables and doubtful debt expenses/written back in the period in which the estimate has been changed. As at 31 December 2013, the carrying amounts of trade receivables and other receivables were approximately HK$119,000 (net of allowance for doubtful debts of nil) and HK$169,000 (net of allowance for doubtful debts of approximately HK$800,000) respectively (2012: carrying amount of trade receivables of approximately HK$128,000 (net of allowance for doubtful debts of approximately HK$328,000) and carrying amount of other receivables of approximately HK$2,356,000 (net of allowance for doubtful debts of nil)). Impairment loss on trade and other receivables recognised for the year ended 31 December 2013 amounting to approximately HK$800,000 (2012: HK$328,000).

Fair value of investment properties

Investment properties are carried in the consolidated statement of the financial position at 31 December 2013 at their fair value of approximately HK$7,580,000 (2012: HK$7,420,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

Estimated impairment loss on available-for-sale investments

The Group follows the guidance of HKAS 39 to determine whether an available-for-sale investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company has delegated a team which is headed up by the chief executive of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief executive reports the valuation team's findings to the board of directors of the Company regularly to explain the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 16 and 30 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. REVENUE

Revenue represents service income arising on one-stop value chain services and health care services, rental income and trading of ceramic products and Chinese tea.

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

	2013 **HK$'000**	2012 HK$'000
Revenue:		
One-stop value chain services	**520**	–
Health care services	**18,462**	17,834
Rental income *(Note)*	**13**	219
Trading of ceramic products	**–**	2,745
Trading of Chinese tea	**199**	–
	19,194	20,798

Note:

	2013 **HK$'000**	2012 HK$'000
Gross rental income	**13**	219
Less: outgoings (included in cost of sales)	**(16)**	(31)
Net rental (expense) income	**(3)**	188

6. OTHER REVENUE

	2013 **HK$'000**	2012 HK$'000
Other rental income	**10**	10
Insurance claim	**65**	–
Exchange gain	**50**	–
Interest income	**–**	1
Sundry income	**33**	3
	158	14

7. SEGMENT INFORMATION

The Group's operation segments, based on information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

During the year ended 31 December 2013, "Trading of Chinese tea" became a new operating activity of the Group and it is separately assessed by the chief operating decision maker. Therefore, it is reported as a new reportable and operating segment.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. One-stop value chain services – provision of total solution services including trading, packaging and logistic solutions

2. Health care services – provision of health care services

3. Property investment – generated rental income from operating leases of Group's investment properties

4. Trading of ceramic products – trading of ceramic sanitary ware products

5. Trading of Chinese tea – trading of Chinese tea

7. SEGMENT INFORMATION (continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 31 December

	One-stop value chain services		Health care services		Property investment		Trading of ceramic products		Trading of Chinese tea		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
REVENUE												
External sales	**520**	–	**18,462**	17,834	**13**	219	**–**	2,745	**199**	–	**19,194**	20,798
Segment (loss) profit	**(1,128)**	(1,095)	**(5,156)**	(4,835)	**72**	1,132	**(520)**	(308)	**74**	–	**(6,658)**	(5,106)
Unallocated corporate revenue											**680**	1,076
Unallocated corporate expenses											**(17,914)**	(13,554)
Finance costs											**(1,853)**	(3,462)
Loss before taxation											**(25,745)**	(21,046)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment (loss) profit represents the loss from/profit earned by each segment without allocation of central administration costs, directors' emoluments, other revenue, reclassification adjustments for the cumulative gain included in profit or loss upon early redemption of convertible bonds, gain (loss) on disposal of interest in a subsidiary, impairment loss on available-for-sale investments, increase in fair value of financial asset at fair value through profit or loss, gain on early redemption of convertible bonds, finance costs and change in fair value of embedded conversion option of exchangeable bond. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2013	2012
	HK$'000	HK$'000
Segment assets		
One-stop value chain services	**6**	15
Health care services	**2,650**	3,255
Property investment	**7,714**	7,437
Trading of ceramic products	**–**	500
Trading of Chinese tea	**–**	–
Total segment assets	**10,370**	11,207
Unallocated corporate assets	**16,906**	2,493
Consolidated assets	**27,276**	13,700

7. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

	2013 HK$'000	2012 HK$'000
Segment liabilities		
One-stop value chain services	**146**	120
Health care services	**2,618**	2,318
Property investment	**39**	–
Trading of ceramic products	**23**	23
Trading of Chinese tea	**15**	–
Total segment liabilities	**2,841**	2,461
Unallocated corporate liabilities	**13,946**	28,637
Consolidated liabilities	**16,787**	31,098

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment, available-for-sale investments, certain other receivables, financial asset at fair value through profit or loss, and bank balances and cash; and

- all liabilities are allocated to operating segments other than certain other payables and accruals, amounts due to a former fellow subsidiary and a shareholder, amount due to non-controlling interests, income tax payable, loans from a former fellow subsidiary and a shareholder, borrowings and liability component of convertible bonds.

Other segment information

	One-stop value chain services		Health care services		Property investment		Trading of ceramic products		Trading of Chinese tea		Unallocated		Total	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Amounts included in the measure of segment profit or loss or segment assets:														
Additions to non-current assets *(Note)*	**–**	–	**19**	100	**120**	–	**–**	–	**–**	–	**–**	28	**139**	128
Increase in fair value of investment properties, net	**–**	–	**–**	–	**160**	1,320	**–**	–	**–**	–	**–**	–	**160**	1,320
Increase in fair value of financial asset at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**436**	–	**436**	–
Depreciation for plant and equipment	**–**	120	**113**	1,161	**5**	9	**–**	–	**–**	–	**97**	150	**215**	1,440
Impairment loss on trade and other receivables	**–**	–	**–**	–	**–**	328	**–**	–	**–**	–	**800**	–	**800**	328

7. SEGMENT INFORMATION (continued)

Other segment information (continued)

	One-stop value chain services		Health care services		Property investment		Trading of ceramic products		Trading of Chinese tea		Unallocated		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:														
Interest income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	1	**–**	1
Reclassification adjustments for the cumulative gain included in profit or loss upon early redemption of convertible bonds	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	790	**–**	790
Gain on early redemption of convertible bonds	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	272	**–**	272
(Loss) gain on disposal of interest in a subsidiary	**–**	–	**–**	–	**–**	(688)	**–**	–	**–**	–	**86**	–	**86**	(688)
Impairment loss on plant and equipment	**–**	(160)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(160)
Impairment loss on available-for-sale investments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(500)	**–**	(500)
Impairment loss on investment in an associate	**–**	(1)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(1)
Loss on disposal of plant and equipment	**–**	–	**–**	–	**–**	(4)	**–**	–	**–**	–	**–**	–	**–**	(4)
Change in fair value of embedded conversion option of exchangeable bond	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(112)	**–**	(112)
Interest expense	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(1,853)**	(3,462)	**(1,853)**	(3,462)
Taxation	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(15)**	–	**(15)**	–

Note: Non-current assets excluded available-for-sale investments.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets other than available-for-sale investments are presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	For the year ended 31 December			
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**18,995**	18,053	**7,974**	7,890
Macau	**199**	2,745	**–**	–
	19,194	20,798	**7,974**	7,890

7. SEGMENT INFORMATION (continued)

Information about major customers

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

	For the year ended 31 December	
	2013	2012
	HK$'000	HK$'000
Customer A[1]	**N/A**[2]	2,745

[1] *Revenue from trading of ceramic products*
[2] *The corresponding revenue did not contribute over 10% of the total revenue of the Group*

8. FINANCE COSTS

	2013	2012
	HK$'000	HK$'000
Interest on bank loans, wholly repayable within five years	**555**	743
Interest on other loans	**180**	212
Effective interest expense on convertible preference shares *(Note 25)*	**–**	213
Effective interest expense on convertible bonds *(Note 26)*	**542**	1,266
Interest on loan from a former fellow subsidiary *(Note 24)*	**318**	720
Interest on loan from a shareholder *(Note 24)*	**258**	308
	1,853	3,462

9. TAXATION

	2013	2012
	HK$'000	HK$'000
Hong Kong Profits Tax – current	**15**	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2013. Hong Kong Profit tax has not been provided for in the financial statements as the Group did not derive any assessable profit for the year ended 31 December 2012.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

9. TAXATION (continued)

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The EIT has not been provided for in the consolidated financial statements as the Group did not derive any assessable profit for the years ended 31 December 2013 and 2012.

No provision for the Taiwan Profit-Seeking Enterprise Income Tax as the Group did not derive any assessable profit for the years ended 31 December 2013 and 2012.

The tax charge for the years can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013	2012
	HK$'000	HK$'000
Loss before taxation	**(25,745)**	(21,046)
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	**(4,248)**	(3,473)
Tax effect of expenses not deductible for tax purpose	**1,449**	1,653
Tax effect of income not taxable for tax purpose	**(43)**	(348)
Tax effect of temporary differences not recognised	**362**	15
Tax effect of tax losses not recognised	**2,495**	2,153
Tax charge for the year	**15**	–

Details of deferred taxation are set out in Note 27.

10. LOSS FOR THE YEAR

	2013	2012
	HK$'000	HK$'000
Loss for the year has been arrived at after charging:		
Directors' and chief executive's emoluments *(Note 11)*	**2,626**	2,578
Other staff costs (excluding directors' emoluments)	**4,797**	3,630
Retirement benefits scheme contributions (excluding directors)	**144**	107
	7,567	6,315
Auditors' remuneration	**460**	420
Depreciation for plant and equipment	**215**	1,440
Loss on disposal of plant and equipment	**–**	4
Impairment loss on plant and equipment	**–**	160
Impairment loss on trade and other receivables	**800**	328
Minimum lease payments paid under operating leases in respect of office premises	**7,417**	6,348

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the six (2012: five) directors and the chief executive ("Chief Executive") of the Company were as follows:

	2013			
	Fees HK$'000	**Salaries and other benefits HK$'000**	**Retirement benefits scheme contributions HK$'000**	**Total HK$'000**
Executive directors:				
Tsang Chi Hin	**–**	**1,066**	**15**	**1,081**
Chu Yu Man, Philip	**–**	**929**	**15**	**944**
Independent non-executive directors:				
Cheung Tak Shum	**240**	**–**	**–**	**240**
Lau Tin Cheung	**180**	**–**	**–**	**180**
Chau Chi Ming (resigned on 22 September 2013)	**131**	**–**	**–**	**131**
Tsang Hin Fun Anthony (appointed on 22 September 2013)	**50**	**–**	**–**	**50**
Total	**601**	**1,995**	**30**	**2,626**

	2012			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Tsang Chi Hin	–	1,066	14	1,080
Chu Yu Man, Philip	–	884	14	898
Independent non-executive directors:				
Cheung Tak Shum	240	–	–	240
Lau Tin Cheung	180	–	–	180
Chau Chi Ming	180	–	–	180
Total	600	1,950	28	2,578

Mr. Tsang Chi Hin is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No director and Chief Executive waived or agreed to waive any emoluments paid by the Group during the two years ended 31 December 2013 and 2012.

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

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2012: two) were directors and Chief Executive of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining three (2012: three) individuals were as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries and allowances	1,547	1,515
Retirement benefits scheme contributions	29	32
	1,576	1,547

The emoluments of each of the above employees were within the band from nil to HK$1,000,000 during the two years ended 31 December 2013 and 2012. One (2013: nil) member of senior management is included in the highest paid individuals during the year ended December 2012.

During the two years ended 31 December 2013 and 2012, no emoluments were paid by the Group to the highest paid individuals (including directors of the Company and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDEND

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

14. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	2013 HK$'000	2012 HK$'000
Loss		
Loss for the year attributable to owners of the Company	(25,746)	(21,046)

	2013	2012 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	1,576,643,142	1,341,081,028

The weighted average number of ordinary shares used for the purpose of calculating basic loss per share for the year ended 31 December 2013 and 2012 has been adjusted for the consolidation of shares in August 2013 on the basis of two shares being consolidated into one share.

Diluted loss per share is same as the basic loss per share since the conversion of the Company's outstanding convertible bonds would result in a decrease in loss per share for both years ended 31 December 2013 and 2012.

15. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Computer, network and related equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
COST						
At 1 January 2012	2,593	598	587	112	352	4,242
Additions	–	–	105	23	–	128
Disposal	–	–	(28)	–	–	(28)
At 31 December 2012	2,593	598	664	135	352	4,342
Additions	120	–	19	–	–	139
At 31 December 2013	**2,713**	**598**	**683**	**135**	**352**	**4,481**
DEPRECIATION AND IMPAIRMENT LOSS						
At 1 January 2012	1,524	319	162	69	222	2,296
Provided for the year	1,069	119	153	27	72	1,440
Written back on disposals	–	–	(24)	–	–	(24)
Impairment loss recognised in profit or loss	–	160	–	–	–	160
At 31 December 2012	2,593	598	291	96	294	3,872
Provided for the year	5	–	126	26	58	215
At 31 December 2013	**2,598**	**598**	**417**	**122**	**352**	**4,087**
CARRYING VALUES						
At 31 December 2013	**115**	**–**	**266**	**13**	**–**	**394**
At 31 December 2012	–	–	373	39	58	470

The above items of plant and equipment are depreciated over their estimated useful lives using the straight-line basis at the following rates per annum:

Leasehold improvements	Over the term of leases
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Computer, network and related equipment	20%
Motor vehicle	20%

16. INVESTMENT PROPERTIES

	2013 HK$'000	2012 HK$'000
FAIR VALUE		
At 1 January	**7,420**	11,500
Derecognition upon disposal of interest in a subsidiary *(Note 34)*	**–**	(5,400)
Net increase in fair value recognised in consolidated statement of profit or loss and other comprehensive income	**160**	1,320
At 31 December	**7,580**	7,420
Unrealised gain on property revaluation included in consolidated statement of profit or loss and other comprehensive income	**160**	1,320

(a) The fair value of the Group's investment properties at 31 December 2013 and 2012 have been arrived at on the basis of a valuation carried out on the respective dates by Avista Valuation Advisory Limited ("Avista") (2012: J.R. West (Hong Kong) Limited), independent qualified professional valuer not connected with the Group.

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

(c) The above investment properties are located in Hong Kong and held under long-term leases.

(d) The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Hong Kong and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the prior year.

(e) In estimating the fair value of the properties, the highest and best use of the properties is their current use.

(f) One of the key inputs used in valuing the investment properties was the discount rates used, which ranged from 2.90% to 3.50%. An increase in the discount rate used would result in a decrease in fair value measurement of the investment properties, and vice versa.

16. INVESTMENT PROPERTIES (continued)

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

	Fair value As at 31/12/2013 HK$'000
Investment properties located in Hong Kong (categorised as Level 3)	7,580

(a) There were no transfers into or out of Level 3 during the year.

(b) At 31 December 2012, the Group's investment properties with carrying values of approximately HK$7,420,000 (2013: nil) were pledged to secure the banking facilities granted to the Group.

17. INVESTMENT IN AN ASSOCIATE

	2013 HK$'000	2012 HK$'000
Cost of unlisted investment in an associate	**1**	1
Less: Provision for impairment loss	**(1)**	(1)
	–	–

As at 31 December 2013 and 2012, the Group had interest in the following associate:

Name of entity	**Form of entity**	**Place of incorporation and operation**	**Class of shares held**	**Proportion of nominal value of issued capital held by the Group**		**Principal activity**
				2013	2012	
FDC Limited	Limited Liability	Samoa	Ordinary shares	**49%**	49%	Inactive

FDC Limited remained inactive since incorporation and a company search report reflect that it was in struck-off status, no income was earned and no expense was incurred during these two years. It was not considered as a material associate of the Group. As such, no summarised financial information in respect of FDC Limited was presented. No share of profit or loss of associate for both years ended 31 December 2013 and 2012 was being accounted for.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2013 **HK$'000**	2012 HK$'000
Unlisted equity investments – cost *(Note a)*	**500**	500
Less: Accumulated impairment loss	**(500)**	(500)
	–	–
Unlisted equity investments – cost *(Note b)*	**4**	4
Unlisted debt investments – at fair value *(Note c)*	**–**	–
	4	4

Notes:

(a) The unlisted equity investments represent investment in unlisted equity securities issued by a private entity incorporated in Hong Kong. They are measured at cost less accumulated impairment losses at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

(b) On 19 December 2012, Grand Protection Holdings Limited, a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party to dispose of the 99.9% equity interest in Watson China Limited at a cash consideration of HK$2,680,000. The remaining 0.1% equity interest in Watson China Limited is classified as an available-for-sale investment of the Group since then. It is measured at cost less accumulated impairment losses at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

(c) On 9 July 2012, Prima Target Limited ("Prima Target"), a wholly-owned subsidiary of the Group, subscribed for an exchangeable bond ("Exchangeable Bond") in a principal amounting to HK$18,000,000 issued by Lion Legend Holdings Limited ("Lion Legend"), an independent third party. Lion Legend is an unlisted company incorporated in the BVI with limited liability. The subscription was satisfied by the Company by way of issuance of convertible bonds in the principal amount of HK$18,000,000 *(Note 26)*. The Exchangeable Bond will mature on 1 April 2013 (the "Maturity Date"). Prima Target is entitled to convert the whole Exchangeable Bond into one ordinary share of Kingbridge Investment Limited ("KBI") at an initial conversion price of HK$18,000,000 per share, representing 10% of the equity interest in KBI, on any business day and from time to time, after the issue date and up to and including the fifth business day before the Maturity date.

The Exchangeable Bond was transferred to Lion Legend to fully satisfy the early redemption of convertible bonds on 28 December 2012. The Exchangeable Bond contains the following two components that are required to be separately accounted for:

(i) debt portion of the Exchangeable Bond, which was designated as available-for-sale debt investment on initial recognition, was stated at fair value at approximately HK$16,790,000 on 9 July 2012 and HK$17,580,000 on 28 December 2012 respectively. The change in fair value of the debt portion of the Exchangeable Bond of approximately HK$790,000 has been recognised in the consolidated statement of other comprehensive income for the year ended 31 December 2012 and later reclassified to the profit or loss upon derecognition of the available-for-sale debt investment; and

(ii) embedded conversion option of the Exchangeable Bond which was designated as financial asset at FVTPL, was stated at fair valued at approximately HK$506,000 on 9 July 2012 and HK$394,000 on 28 December 2012 respectively. The change in fair value of embedded conversion option of Exchangeable Bond of approximately HK$112,000 has been recognised in the profit or loss for the year ended 31 December 2012.

18. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes: (continued)

The fair value of the debt portion and embedded conversion option of the Exchangeable Bond was valued by Avista, an independent qualified professional valuer not connected with the Group, using discounted cash flow analysis and the binomial model. The inputs into the model of the Exchangeable Bond as at 9 July 2012 and 28 December 2012 are as follows:

	As at 9 July 2012	**As at 28 December 2012**
Risk free rate	0.13%	0.04%
Expected volatility	47.30%	50.41%
Discount rate	9.76%	9.45%

In addition, Prima Target is granted an option ("Option") to acquire further convertible bond ("Further Convertible Bond") by Lion Legend on 9 July 2012. The Option will be convertible to five ordinary shares of KBI. The Option exercise consideration shall be settled by the Company by way of issuance and allotment of the followings before 28 December 2012:

(i) 800,000,000 ordinary shares of the Company at a price of HK$0.04, amounting to HK$32,000,000; and

(ii) further convertible bond in a principal amount of HK$160,000,000 which is convertible to 4,000,000,000 new conversion shares of the Company at a conversion price of HK$0.04 each.

KBI is a company incorporated in the BVI with limited liability. As the Option is out of money, it is not optimal for the Group to exercise the Option. The directors of the Company are of the opinion that the fair value for the Option is minimal and not meaningful to disclose.

If the Exchangeable Bond is not converted or if the Option is lapsed, it will be redeemed at a redemption amount equal to 100% of the principal amount. Pursuant to the subscription agreement, the Exchangeable Bond shall be transferred to Lion Legend to fully satisfy the redemption requirement of convertible bonds (Note 26) upon expiry of Option. Following an amendment to the Subscription Agreement on 31 October 2012, the option exercise completion date is amended to 28 December 2012. No Option is exercised up to 28 December 2012, the Option is lapsed and the Exchangeable Bond is transferred to Lion Legend to fully satisfy the early redemption requirement of convertible bonds accordingly.

The movements of the components of the Exchangeable Bond for the year ended 31 December 2012 are set out below:

	Debt portion HK$'000	**Embedded conversion option** HK$'000	**Total** HK$'000
Fair value on the issuance date	16,790	506	17,296
Change in fair value of available-for-sale investment – in other comprehensive income	790	–	790
Change in fair value of embedded conversion option of exchangeable bond – in profit or loss	–	(112)	(112)
Derecognition upon early redemption of convertible bonds	(17,580)	(394)	(17,974)
At 31 December 2012	–	–	–

The Group no longer has any interest in the Exchangeable Bond during the year ended 31 December 2013 and as at the end of current reporting period.

19. TRADE AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables	**119**	456
Less: allowance for doubtful debts	**–**	(328)
	119	128
Deposit and other receivables	**2,451**	3,844
Less: allowance for doubtful debts	**(800)**	–
	1,651	3,844
Prepayments	**552**	555
	2,322	4,527

The credit period granted to the Group's trade customers generally ranges from 0 days to 90 days. The ageing analysis of trade receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which is as follows:

	2013 HK$'000	2012 HK$'000
0 to 30 days	**107**	119
31 to 90 days	**12**	9
	119	128

The Group does not hold any collateral over these balances.

As at 31 December 2013, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$12,000 (2012: HK$9,000) which are past due as at the end of the reporting date for which the Group has not provided for impairment loss.

The ageing analysis of trade receivables which are past due but not impaired is as follows:

	2013 HK$'000	2012 HK$'000
0 to 30 days	**7**	9
31 to 90 days	**5**	–
	12	9

19. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience and the financial standings of these customers, the directors of the Company believe that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group's neither past due nor impaired trade receivables mainly represent sales made to creditworthy customers for whom there was no recent history of default.

The movements in allowance for doubtful debts of trade and other receivables were as follows:

	2013 **HK$'000**	2012 HK$'000
At 1 January	**328**	–
Recognised during the year	**800**	328
Written off during the year	**(328)**	–
At 31 December	**800**	328

Included in the allowance for doubtful debts of trade and other receivables are individually impaired trade and other receivables with an aggregate balance of approximately HK$800,000 (2012: HK$328,000). The individually impaired trade and other receivables are recognised based on the credit history of its customers or counterparties, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised during the ended 31 December 2013 and 2012.

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 **HK$'000**	2012 HK$'000
Listed securities:		
– Equity securities listed in Hong Kong, at fair value	**1,224**	–

The fair values of the above listed securities are determined based on the quoted market bid prices available on the Hong Kong Stock Exchange.

21. BANK BALANCES AND CASH

Bank balances carry interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. AMOUNTS DUE TO A FORMER FELLOW SUBSIDIARY/A SHAREHOLDER/ NON-CONTROLLING INTERESTS

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

23. BORROWINGS

	2013 HK$'000	2012 HK$'000
Bank loans	–	3,450
Other loans	–	5,600
	–	9,050
Analysed as:		
Secured bank loans	–	3,450
Unsecured other loans	–	5,600
	–	9,050

	2013 HK$'000	2012 HK$'000
Carrying amount repayable *(Note)*:		
On demand or within one year	–	9,050
Amounts within one year shown under current liabilities	–	9,050

Note: These amounts due are based on the scheduled repayment dates set out in the loan agreements. Specifically, the other loans shown above contained a repayment on demand clause.

The exposure of the Group's loans is as follows:

	2013 HK$'000	2012 HK$'000
Fixed rate loans		
On demand or within one year	–	5,600
Variable rate loans		
On demand or within one year	–	3,450
	–	9,050

For the year ended 31 December 2012, the Group's secured bank loans carry interests at the Hong Kong Dollars Prime Rate ("P") plus a margin (2013: nil) and other loan carries fixed interest at 9% per annum (2013: nil).

23. BORROWINGS (continued)

The ranges of effective interest rates (which are also equal to the contracted interest rates) on the Group's loans are as follows:

	2013	2012
Fixed rate loans	–	9%
Variable rate loans	–	P + 4%

At 31 December 2012, the Group's secured bank loans and other loans are secured by the Group's investment properties. During the year ended 31 December 2013, the secured bank loans and other loans are fully settled.

24. LOANS FROM A FORMER FELLOW SUBSIDIARY/A SHAREHOLDER

The loan from a former fellow subsidiary represents loan with principal amount of HK$2,000,000 (2012: HK$12,000,000) from Luck Bloom International Limited ("Luck Bloom"). The loan carries fixed interest at 6% (2012: 6%) per annum.

The loan from a shareholder represents loan with principal amount of HK$4,300,000 (2012: HK$4,300,000) from Top Status International Limited ("Top Status"). The loan carries fixed interest at 6% (2012: 6%) per annum.

At 31 December 2013, both of the loans are unsecured and repayable on 30 September 2014 and are classified under current liabilities in the consolidated statement of financial position.

At 31 December 2012, both of the loans are unsecured and repayable on 31 July 2013 and are classified under current liabilities in the consolidated statement of financial position.

The loans from a former fellow subsidiary and a shareholder are denominated in HK$.

25. CONVERTIBLE PREFERENCE SHARES

	Number of shares	Amount HK$'000
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013, HK$0.10 each	173,913,043	17,391
Issued and fully paid:		
At 1 January 2012	22,713,043	2,271
Conversion of convertible preference shares	(22,713,043)	(2,271)
At 31 December 2012 and 2013, HK$0.01 each	–	–

The principal terms of the Convertible Preference Shares ("CP Shares") on the date of issue include the following:

(i) Dividend

A dividend of HK$78,000 calculated at 3% of par value of CP Shares was accrued for the year ended 31 December 2012 (2013: nil).

(ii) Capital

On a return of capital on liquidation or otherwise (but not on conversion), the holders of the CP Shares ("CP Shareholders") shall have the right to be paid, in priority to any return of assets in respect of any other class of shares in the capital of the Company up to an amount equal to the aggregate notional value of HK$20 million (equivalent to approximately HK$0.115 per CP Share *(Note)*).

(iii) Redemption

The Company shall redeem all of the CP Shares at par plus the accrued and unpaid dividends at the maturity date falling five years from the date of allotment and issue of CP Shares. The CP Shares matured on 6 November 2012.

As at 2 November 2012, all the CP shares are converted into ordinary shares, no redemption during the years ended 31 December 2012 and 2013.

25. CONVERTIBLE PREFERENCE SHARES (continued)

The movement of the CP Shares for the year is as follows:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 January 2012	2,477	538	3,015
Interest charge *(Note 8)*	213	–	213
3% CP dividend	(78)	–	(78)
Conversion during the year ended 31 December 2012	(2,612)	(538)	(3,150)
At 31 December 2012 and 2013	–	–	–

During the year ended 31 December 2012, 227,130,430 ordinary shares of HK$0.01 each were issued pursuant to the conversion of the convertible preference shares at a conversion price of HK$0.0115 per share.

At 31 December 2012 and 2013, there was no outstanding issued CP Shares.

26. CONVERTIBLE BONDS ("CBS")

(a) On 9 July 2012, the Company issued zero coupon convertible bonds (the "2012 CBs") in a principal amount of HK$18,000,000 to Lion Legend to subscribe the Exchangeable Bond issued by Lion Legend. The 2012 CBs would mature on 1 April 2013. If the Option is not exercised or if the Option lapses, or if Lion Legend redeems the Exchangeable Bond, the 2012 CBs would be redeemed at par. The redemption amount of 2012 CBs shall be fully satisfied and discharged by the transfer or assignment of the Exchangeable Bond to Lion Legend.

Lion Legend was entitled to convert the whole or part of the principal amount of the 2012 CBs into ordinary share capital of the Company on any business day and from time to time, after the issue date up to and including the fifth business day before the 1 April 2013, at an initial conversion price of HK$0.0375 per share. Following an amendment to the Subscription Agreement on 31 October 2012, the Option Exercise Completion Date was amended to 28 December 2012. Details were disclosed in the Company's announcement dated 31 January 2012 and circular dated 28 May 2012.

The Company was not entitled to early redeem the 2012 CBs at any time before 1 April 2013. Transaction costs that are directly attributable to issue of 2012 CBs amounting to approximately HK$301,000 were allocated to liability and equity components on initial recognition.

26. CONVERTIBLE BONDS ("CBS") (continued)

(a) (continued)

The 2012 CBs contained the following components that are required to be separately accounted for:

(i) Liability component for the 2012 CBs represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest at the date of issue with reference to the market rate for instruments of comparable credit status taking into account the credit risk of the Company as well as the amount of the 2012 CBs without conversion option, plus allocated transaction costs. The effective interest rate of the liability component is 17.52%.

(ii) Equity component represents the difference between the gross proceeds of the issue of the 2012 CBs and the fair values assigned to the liability components less allocated transaction costs.

On 28 December 2012, the Option was lapsed and the Company early redeemed the whole 2012 CBs with a principal amount of HK$18,000,000 by the transfer or assignment of the Exchangeable Bond to Lion Legend. This gave rise to a debt extinguishment gain of approximately HK$272,000 for the year ended 31 December 2012.

(b) On 30 April 2013, the Company issued convertible bonds (the "2013 CBs") in a principal amount of HK$34,500,000 with interest bearing at 5% per annum to Top Status. The 2013 CBs will mature on 31 December 2016 (the "Maturity Date"). The 2013 CBs entitled the holder to convert the 2013 CBs in full or in part (in multiples of HK$500,000) into the ordinary shares of the Company at any time on or after the date of issue of the 2013 CBs up to fifth business day prior to the Maturity Date at an initial conversion price of HK$0.01 per share, subject to adjustment provisions which are standard terms for convertible securities of similar type. If the 2013 CBs had not been converted by bondholders, it would be converted on Maturity Date by the Company.

Transaction costs directly attributable to issue of 2013 CBs amounted to approximately HK$585,000 are allocated to liability and equity components on initial recognition.

The 2013 CBs contained the following components that are required to be separately accounted for:

(iii) Liability component for the 2013 CBs represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest at the date of issue with reference to the market rate for instruments of comparable credit status taking into account the credit risk of the Company as well as the amount of the 2013 CBs without conversion option, plus allocated transaction costs. The effective interest rate of the liability component is 19.49%.

(iv) Equity component represents the difference between the gross proceeds of the issue of the 2013 CBs and the fair values assigned to the liability components less allocated transaction costs.

On 11 October 2013, as a result of the Company's share consolidation, the conversion price of the 2013 CBs was adjusted to HK$0.02 per share.

26. CONVERTIBLE BONDS ("CBS") (continued)

(b) (continued)

The movements of the CBs are set out below:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 9 July 2012	16,009	986	16,995
Effective interest expense *(Note 8)*	1,266	–	1,266
Gain on early redemption of 2012 CBs	(272)	–	(272)
Early redemption of 2012 CBs	(17,003)	(971)	(17,974)
Transfer to accumulated losses upon early redemption of 2012 CBs	–	(15)	(15)
At 31 December 2012	–	–	–
Issue of 2013 CBs	4,264	29,651	33,915
Effective interest expense *(Note 8)*	542	–	542
At 31 December 2013	4,806	29,651	34,457

27. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2012	133	(133)	–
(Credited) charged to consolidated statement of profit or loss and other comprehensive income for the year	(127)	127	–
At 31 December 2012	6	(6)	–
(Credited) charged to consolidated statement of profit or loss and other comprehensive income for the year	(6)	6	–
At 31 December 2013	**–**	**–**	**–**

27. DEFERRED TAXATION (continued)

At the end of the reporting period, the Group has unused tax losses of approximately HK$59,662,000 (2012: HK$44,578,000) available for offsetting against future profits. A deferred tax has been recognised in respect of approximately nil of such losses (2012: HK$37,000). No deferred tax asset has been recognised in respect of the remaining tax loss of approximately HK$59,662,000 (2012: HK$44,541,000) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$3,027,000 (2012: HK$833,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

28. SHARE CAPITAL

	Nominal value per share HK$	Number of shares	Amount HK$'000
Ordinary shares			
Authorised:			
At 1 January 2012, 31 December 2012 and 1 January 2013	0.01	3,260,869,570	32,609
Increase in authorised shares	0.01	5,000,000,000	50,000
Share consolidation		(4,130,434,785)	–
At 31 December 2013	0.02	4,130,434,785	82,609
Issued and fully paid:			
At 1 January 2012	0.01	2,424,599,690	24,246
Placing of new shares *(Note a)*	0.01	280,000,000	2,800
Conversion of convertible preference shares *(Note b)*	0.01	227,130,430	2,271
At 31 December 2012	0.01	2,931,730,120	29,317
Placing of new shares *(Note c)*	0.01	586,000,000	5,860
Share consolidation *(Note d)*		(1,758,865,060)	–
At 31 December 2013	0.02	1,758,865,060	35,177

28. SHARE CAPITAL (continued)

Note:

(a) On 12 March 2012, the Company entered into a placing agreement with FT Securities (the "Placing Agent") and Top Status. Pursuant to which, Top Status has agreed to place for a placement of 280,000,000 shares of HK$0.010 each in the Company, at a price of HK$0.068 per share. 280,000,000 shares of HK$0.010 each in the Company were allotted to Top Status on 19 March 2012.

The placement was completed on 19 March 2012. The gross proceeds and net proceeds, after deducting all related expenses, were approximately HK$19,040,000 and HK$18,448,000, respectively. The net proceeds were used to repay total outstanding loans and interest payable to Luck Bloom and Top Status totaling approximately HK$3,700,000. The remaining net proceeds of approximately HK$14,748,000 were used to provide additional general working capital for the Company. These new shares were issued under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 6 May 2011 and rank pari passu with other shares in issue in all respects.

(b) During the year ended 31 December 2012, 227,130,430 ordinary shares of HK$0.01 each were issued pursuant to the conversion of the convertible preference shares at a conversion price of HK$0.0115 per share and rank pari passu with other shares in issue in all respects. Details of which are set out in Note 25.

(c) On 16 August 2013, the Company entered into a placing agreement with Kingston Securities Limited (the "Placing Agent"). Pursuant to which, the Placing Agent have agreed to place a maximum of 586,000,000 shares of HK$0.010 each in the Company to not fewer than six placees, at a price of HK$0.042 per share. 586,000,000 shares of HK$0.010 each in the Company were allotted to the Placees on 5 September 2013. Details are disclosed in the Company's announcement dated 5 September 2013.

The placement was completed on 5 September 2013. The gross proceeds and net proceeds, after deducting all related expenses, were approximately HK$24,612,000 and HK$23,996,000 respectively. The net proceeds were used to provide additional general working capital for the Company. These new shares were issued under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 16 May 2013 and rank pari passu with other shares in issue in all respects.

(d) Pursuant to an ordinary resolution passed on 10 October 2013, a share consolidation was approved with effect from 11 October 2013 in which every 2 of the existing issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company were consolidated into one consolidated share having a par value of HK$0.02 per share (the "Share Consolidation"). Immediately after the Share Consolidation, the authorised and issued and fully paid ordinary share capital of the Company comprised 4,130,434,785 and 1,758,865,060 consolidated shares of HK$0.02 each respectively.

29. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes borrowings, loan from a former fellow subsidiary, loan from a shareholder, the liability component of convertible bonds as disclosed in Notes 23, 24 and 26 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt or the redemption of existing debts.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**17,522**	5,251
FVTPL	**1,224**	–
Available-for-sale investments, at cost	**4**	4
Financial liabilities at amortised cost		
Other financial liabilities	**16,750**	31,076

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, deposit paid for operating right, trade and other receivables, FVTPL, bank balances and cash, other payables and accruals, amounts due to a former fellow subsidiary, non-controlling interests and a shareholder, loans from a former fellow subsidiary and a shareholder, liability component of convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The functional currency of certain subsidiaries established in the PRC and Taiwan are RMB and TND respectively. The RMB is not freely convertible into other currencies however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The Company has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are denominated in HK$, which is the functional currency of the relevant group entities. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

30. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings arising from other loans, loans from a former fellow subsidiary and a shareholder and the liability component of convertible bonds as set out in Notes 24 and 26, respectively. The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances and bank loans as detailed in Notes 21 and 23 respectively. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates are minimal, therefore no sensitivity analysis is presented.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Dollars Prima Rate arising from the Group's HK$ denominated bank loans. The Group's exposure to cash flow interest rate risk is minimal.

The Group's bank balances are short-term in nature and the exposure of the interest rate is minimal.

Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets, mainly deposit paid for operating right, trade and other receivables and bank balances, as stated in the consolidated statement of financial position.

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

As at 31 December 2013, the Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100% (2012: 100%) of the total trade receivables.

As at 31 December 2013, the Group has concentration of credit risk as 49% (2012: 52%) and 100% (2012: 96%) of the total trade receivables were due from the Group's largest customer and five largest customers respectively, all within the health care services segment.

However, the directors of the Company consider the credit risk is under control since the directors of the Company exercise due care in granting credit and check the financial background of these debtors on a regular basis.

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

30. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors of the Company monitor the utilisation of bank borrowings.

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

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

	Within 1 year or on demand HK$'000	More than one year less than two years HK$'000	More than two years less than five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2013					
Non-derivative financial liabilities					
Other payables and accruals	4,647	–	–	4,647	4,647
Amount due to a former fellow subsidiary	60	–	–	60	60
Amount due to a shareholder	129	–	–	129	129
Amount due to non-controlling interests	808	–	–	808	808
Loan from a former fellow subsidiary	2,070	–	–	2,070	2,000
Loan from a shareholder	4,451	–	–	4,451	4,300
Convertible bonds	1,725	1,725	2,888	6,338	4,806
	13,890	1,725	2,888	18,503	16,750

30. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Within 1 year or on demand HK$'000	More than one year less than two years HK$'000	More than two year less than five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2012					
Non-derivative financial liabilities					
Other payables and accruals	4,820	–	–	4,820	4,820
Amount due to a former fellow subsidiary	600	–	–	600	600
Amount due to a shareholder	306	–	–	306	306
Borrowings	9,963	–	–	9,963	9,050
Loan from a former fellow subsidiary	12,420	–	–	12,420	12,000
Loan from a shareholder	4,451	–	–	4,451	4,300
	32,560	–	–	32,560	31,076

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

(c) Fair value measurement of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) *Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

Financial assets	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key inputs
Held-for-trading non-derivative financial assets classified as FVTPL in the consolidated statement of financial position	Listed equity securities in Hong Kong – Food and beverage industry – HK$1,224,000	Level 1	Quoted bid prices in an active market

Note: There were no transfers between Level 1 and other levels in the current reporting period.

(ii) The directors consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values due to the short-term maturity or the impact of discounting not significant.

31. OPERATING LEASES

Commitments under operating lease

The Group as lessee

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

	2013	2012
	HK$'000	HK$'000
Within one year	**7,983**	8,424
In the second to fifth years inclusive	**3,702**	9,873
	11,685	18,297

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms of one to two years (2012: two to three years) and rentals are fixed over the terms of the leases.

On 9 February 2013, the Group and a landlord entered into an early termination notice to terminate an operating lease for a storeroom.

The Group as lessor

Property rental income earned during the year was approximately HK$13,000 (2012: HK$219,000). The properties generated rental yields of 0.17% (2012: 2.95%) on on-going basis. All of the properties held have committed tenants for the next two years.

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

	2013	2012
	HK$'000	HK$'000
Within one year	**166**	–
In the second to fifth years inclusive	**146**	–
	312	–

32. SHARE OPTIONS

The Company has adopted a share option scheme on 24 January 2002 (the "Scheme 2002"). Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 6 May 2011, the Scheme 2002 was terminated and a new share option scheme (the "Scheme 2011") was adopted.

Under the Scheme 2002, the Company may only grant share options to the directors of the Company or any person who is an employee of members of the Group or any entity in which the Group holds any equity interests. However, the Scheme 2011 provides a broadened basis of and scope of eligible participation and enables the Group to reward the employees, the directors of the Company and other selected participants for their contributions to the Group. The Scheme 2002 was expired on 23 January 2012 and the directors of the Company consider that it is appropriate to adopt the new scheme.

The purpose of the Scheme 2002 and Scheme 2011 is to enable the Company to grant options to selected employees to subscribe for shares of the Company as incentives or rewards for their contributions to the Group. The board of directors of the Company may, at its discretion, invite any full-time or part-time employees of the Company or any member of the Group, including any executive and non-executive directors of the Company, advisors, consultants of the Company or any subsidiary of the Company to take up options to subscribe for shares of the Company. The total number of shares of the Company available for issue under the Scheme 2002 and Scheme 2011 was initially 10% of the issued share capital as at the date of adoption of the Share Option Scheme.

The total number of shares of the Company available for issue under the Scheme 2002 and Scheme 2011 (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue from time to time. An option may be exercised at any time during a period to be determined and notified by the Board to each participant. Upon acceptance of the option, the employee should pay HK$1.00 to the Company by way of consideration for the grant. The subscription price for the shares of the Company will be a price to be determined by the Board and will be the highest of (i) the closing price of the shares on the GEM as stated on the Stock Exchange's daily quotations sheet on the date of granting of the options; (ii) the average closing price of the shares on the GEM as stated on the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of granting of the options; and (iii) the nominal value of a share.

No share option has been granted or outstanding under the Scheme 2002 or Scheme 2011 by the Company during the year ended 31 December 2012 and 2013.

33. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to MPF, which contribution is matched by employees.

The total expense recognised in consolidated profit or loss of approximately HK$174,000 (2012: HK$135,000) represents contribution payable to MPF by the Group in respect of the current financial year.

34. DISPOSAL OF INTEREST IN A SUBSIDIARY

For the year ended 31 December 2013

On 1 February 2013, the Group disposed of its entire equity interests in Joyful Grace Trading Limited, a wholly-owned subsidiary of the Group to Good Capital Investment Limited, an independent third party for a total consideration of HK$30,000 received in cash. The net liabilities of the Company at the date of disposal were as follows:

	HK$'000
Consideration received:	
Cash consideration	30

Analysis of assets and liabilities over which control was lost:

	As at 1 February 2013 HK$'000
Trade and other receivables	500
Other payables and accruals	(556)
Amount due to immediate holding company	(681)
Net liabilities disposed of	(737)
Gain on disposal of entire equity interests in a subsidiary:	
Cash received	30
Net liabilities disposed of	737
Amount due from Joyful Grace Trading Limited	(681)
Gain on disposal	86
Net cash inflow arising from disposal:	
Cash consideration	30

During the period from 1 January to 31 January 2013, Joyful Grace Trading Limited contributed to the Group's revenue and loss of nil and approximately HK$167,000 respectively.

34. DISPOSAL OF INTEREST IN A SUBSIDIARY (continued)

For the year ended 31 December 2012

On 19 December 2012, Grand Protection Holdings Limited, a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party to dispose of the 99.9% equity interest in Watson China Limited at a cash consideration of HK$2,680,000. The remaining 0.1% equity interest in Watson China Limited classified as an available-for-sale investment of the Group since then.

	HK$'000
Consideration received:	
Cash received	2,680
Analysis of assets and liabilities over which control was lost:	
Investment properties	5,400
Other payables	(28)
Amount due to immediate holding company	(4,082)
Borrowings	(2,000)
Net liabilities disposed of	(710)
Loss on disposal of partial interest in a subsidiary:	
Available-for-sale investment	4
Consideration received	2,680
Net liabilities disposed of	710
Waiver on amount due from Watson China Limited	(4,082)
Loss on disposal of partial interest in a subsidiary	(688)
Net cash inflow arising on disposal:	
Cash consideration	2,680

During the period from 1 January to 18 December 2012, Watson China Limited contributed to the Group's revenue and loss of approximately HK$111,000 and HK$248,000 respectively.

35. RELATED PARTY TRANSACTIONS

(a) In addition to related party balances detailed in the consolidated financial statements and Notes 22, 24 and 25 respectively, the Group entered into the following significant transactions with related parties during the year:

Name of company	**Nature of transaction**	**2013** **HK$'000**	2012 HK$'000
Top Status	Dividend on convertible preference shares	**–**	78
	Loan interest expense	**258**	308
	2013 CBs interest expense	**542**	–
Luck Bloom	Loan interest expense	**318**	720

(b) Compensation of key management personnel

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

	2013 **HK$'000**	2012 HK$'000
Short-term benefits	**4,143**	4,065
Post-employment benefits	**59**	60
	4,202	4,125

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

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2013 HK$'000**	2012 HK$'000
Non-current asset			
Interests in subsidiaries		**135**	1
Current assets			
Other receivables		**318**	150
Amounts due from subsidiaries	(a)	**200**	–
Bank balances and cash		**896**	43
		1,414	193
Current liabilities			
Other payables and accruals		**1,118**	1,470
Amounts due to subsidiaries	(a)	**12,757**	11,144
Amount due to a former fellow subsidiary	(b)	**60**	600
Amount due to a shareholder	(b)	**129**	306
Borrowings		**–**	5,600
Loan from a former fellow subsidiary	(b)	**2,000**	12,000
Loan from a shareholder	(b)	**4,300**	4,300
		20,364	35,420
Net current liabilities		**(18,950)**	(35,227)
		(18,815)	(35,226)
Non-current liability			
Convertible bonds		**4,806**	–
Net liabilities		**(23,621)**	(35,226)
Capital and reserves			
Share capital		**35,177**	29,317
Reserves	(c)	**(58,798)**	(64,543)
		(23,621)	(35,226)

Notes:

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

(b) Amounts due to a former fellow subsidiary/a shareholder and loans from a former fellow subsidiary/a shareholder are included in the consolidated statement of financial position. The terms are set out in Notes 22 and 24 respectively.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes: (continued)

(c) Reserves

	Share premium HK$'000	Equity component of convertible preference shares HK$'000 *(Note 25)*	Equity component of convertible bonds HK$'000 *(Note 26)*	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	11,066	538	–	28,769	(98,009)	(57,636)
Loss for the year, representing total comprehensive expense for the year	–	–	–	–	(22,911)	(22,911)
Placing of new shares *(Note 28)*	16,240	–	–	–	–	16,240
Transaction costs attributable to placing of new shares	(592)	–	–	–	–	(592)
Recognition of equity component of convertible bonds *(Note 26)*	–	–	986	–	–	986
Early redemption of convertible bonds *(Note 26)*	–	–	(971)	–	–	(971)
Transfer to accumulated losses upon early redemption of convertible bonds *(Note 26)*	–	–	(15)	–	15	–
Issue of shares upon conversion of convertible preference shares *(Note 25)*	879	(538)	–	–	–	341
At 31 December 2012	27,593	–	–	28,769	(120,905)	(64,543)
Loss for the year, representing total comprehensive expense for the year	–	–	–	–	(42,042)	(42,042)
Placing of new shares *(Note 28)*	18,752	–	–	–	–	18,752
Transaction costs attributable to placing of new shares	(616)	–	–	–	–	(616)
Recognition of equity component of convertible bonds *(Note 26)*	–	–	29,651	–	–	29,651
At 31 December 2013	**45,729**	**–**	**29,651**	**28,769**	**(162,947)**	**(58,798)**

The Company has no distribution reserves as at 31 December 2013 and 2012.

37. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Legal form of entity	Place of incorporation/ operations	Issued and fully paid share capital	Proportion ownership interest held by the Company Directly 2013	Directly 2012	Indirectly 2013	Indirectly 2012	Principal Activities
Kama Business Holdings Limited	Limited liability	BVI	Ordinary shares of US$1	**100%**	100%	**–**	–	One-stop value chain services
Anson Development Limited	Limited liability	Hong Kong	Ordinary shares of HK$100	**100%**	100%	**–**	–	Group administration
Hoi Fan Investment Limited	Limited liability	BVI	Ordinary shares of US$1	**–**	–	**100%**	100%	Investment holding
Goodlink Corporation Limited	Limited liability	Hong Kong	Ordinary shares of HK$1	**–**	–	**100%**	100%	Inactive
Golden Jack Development Limited	Limited liability	BVI	Ordinary shares of US$1	**100%**	100%	**–**	–	Investment holding
Grand Protection Holdings Limited	Limited liability	BVI	Ordinary share of US$1	**100%**	100%	**–**	–	Investment holding
Alapco Company Limited	Limited liability	BVI	Ordinary share of US$1	**–**	–	**100%**	100%	Property holding
Kaley Development Limited	Limited liability	BVI	Ordinary share of US$1	**–**	–	**100%**	100%	Health care business
Cyberpress Limited	Limited liability	Hong Kong	Ordinary shares of HK$100	**–**	–	**100%**	100%	Trading of ceramic products
Elite Rising Holdings Limited	Limited liability	BVI	Ordinary share of US$1	**100%**	100%	**–**	–	Inactive
Prima Target Limited	Limited liability	BVI	Ordinary share of US$1	**–**	–	**100%**	100%	Inactive
Jade Cedar Enterprises Limited	Limited liability	BVI	Ordinary share of US$1	**100%**	100%	**–**	–	Inactive
Joyful Grace Trading Limited *(Note 1)*	Limited liability	BVI	Ordinary shares of US$1	**–**	–	**–**	100%	Trading of ceramic products
Wide Graceful Holdings Limited	Limited liability	BVI	Ordinary shares of US$1	**100%**	100%	**–**	–	Trading of ceramic products
Joy Gold Trading Enterprises Limited	Limited liability	BVI	Ordinary shares of US$1	**100%**	–	**–**	–	Inactive
Ever Chance Management Limited	Limited liability	Hong Kong	Ordinary shares of HK$10,000	**–**	–	**100%**	–	Group administration
King Health Trading Limited	Limited liability	Hong Kong	Ordinary shares of HK$1	**–**	–	**100%**	–	Trading of Chinese Tea
Ease Chance Investment Limited	Limited liability	Hong Kong	Ordinary shares of HK$10,000	**–**	–	**100%**	–	Inactive

37. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Legal form of entity	Place of incorporation/ operations	Issued and fully paid share capital	Proportion ownership interest held by the Company				Principal Activities
				Directly		Indirectly		
				2013	2012	2013	2012	
Sky Success International Investment Limited	Limited liability	Hong Kong	Ordinary shares of HK$100	–	–	100%	–	Inactive
Skyline Best Limited	Limited liability	BVI	Ordinary share of US$1	100%	–	–	–	Inactive
Wise Success Holdings Limited	Limited liability	BVI	Ordinary share of US$50,000	–	–	100%	–	Inactive
King Noble Holdings Limited	Limited liability	BVI	Ordinary share of US$50,000	–	–	100%	–	Inactive
Fine Champion Holdings Limited	Limited liability	BVI	Ordinary share of US$50,000	–	–	100%	–	Inactive
On Good Investment Limited	Limited liability	BVI	Ordinary share of HK$10,000	–	–	100%	–	Inactive
Glory Delights Investment Limited	Limited liability	BVI	Ordinary share of HK$10,000	–	–	100%	–	Inactive
Total Famous Investment Limited	Limited liability	BVI	Ordinary share of HK$10,000	–	–	100%	–	Inactive
All Ready Holdings Limited	Limited liability	BVI	Ordinary shares of US$1	100%	–	–	–	Inactive
Luster Shine Limited	Limited liability	BVI	Ordinary shares of US$1	100%	–	–	–	Inactive
Skyline Top Limited ("Skyline Top ")	Limited liability	BVI	Ordinary shares of US$1	100%	–	–	–	Inactive
煒磊投資諮詢(深圳)有限公司	Limited liability	PRC	Registered capital of US$1,000,000	–	–	100%	–	Inactive
旭堯投資諮詢(深圳)有限公司	Limited liability	PRC	Registered capital of US$1,000,000	–	–	100%	–	Inactive
承望投資諮詢(深圳)有限公司	Limited liability	PRC	Registered capital of US$1,000,000	–	–	100%	–	Inactive
台灣農業生態科技開發股份有限公司	Limited liability	Taiwan	Ordinary shares of TND7,200,000	–	–	59.6%	–	Inactive

Note 1: 100% equity interest in Joyful Grace Trading Limited was disposed of during the year as disclosed in Note 34.

37. PARTICULARS OF SUBSIDIARIES (continued)

None of the subsidiaries has issued any debt securities at the end of both years.

The directors of the Company made an assessment as at the date of initial application of HKFRS 12 and at the end of the reporting period. In the opinion of the directors, there is no subsidiary that has non-controlling interests individually that are material to the Group and therefore no information is disclosed for the non-wholly owned subsidiary.

38. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2013, the interest on loans from a shareholder and a former fellow subsidiary amounted to approximately HK$576,000 remained unpaid as at 31 December 2013 and included in amount due to a shareholder and a former fellow subsidiary.

(b) During the year ended 31 December 2013, convertible bond issued by the Company in the principal amount of HK$34,500,000 was acquired by a shareholder of the Company, Top Status. The consideration was settled by cash in HK$23,500,000 and the remaining HK$11,000,000 was settled by the loan from a shareholder and a former fellow subsidiary.

(c) During the year ended 31 December 2013, convertible bonds incurred an imputed interest HK$542,000 during the year.

39. EVENTS AFTER THE REPORTING PERIOD

(a) On 8 January 2014, Top Status transferred the 2013 CBs to Sino Coronet Limited, which is a connected party of Top Status.

(b) On 7 March 2014, resolutions were passed at the Company's special general meeting on 7 March 2014 for the followings:

– Authorised share capital was increased from HK$100,000,000 to HK$200,000,000 by the creation of an additional 5,000,000,000 new shares.

– On 13 December 2013, the Company entered into a co-placing agreement with the co-placing agents. The Company announced to place a maximum of 800,000,000 placing shares of HK$0.188 per placing share in the net principal amount of approximately HK$144,988,000 after deducting placing transaction costs. Resolutions were passed on the Company's special general meeting on 7 March 2014. Net total proceeds of approximately HK$144,988,000 have been fully received by the Company on 24 March 2014 and all the conditions for the co-placing have been fulfilled.

  On 25 March 2014, the placing of 800,000,000 ordinary shares in the Company was completed. Further details of this transaction are set out in the Company's announcement dated 25 March 2014.

– On 13 December 2013, the Company, Skyline Top and Mr. So Pan (the "Vendor") entered into a conditional sale and purchase agreement, pursuant to which (i) the Vendor has agreed to sell to Skyline Top and Skyline Top has agreed to purchase from the Vendor, sale shares of Konson Global Investments Limited; and (ii) the Vendor has agreed to assign to the Skyline Top, and Skyline Top has agreed to accept the assignment of, a sale loan at an aggregated consideration of HK$40,000,000, of which: (i) HK$20,000,000 shall be satisfied by the Purchaser by cheque or cashier order upon the completion; and (ii) HK$20,000,000 shall be satisfied by the Company's issue of the convertible bonds at the conversion price of HK$0.188 per conversion share to the Vendor upon completion (the "Proposed Acquisition").

  The issue of convertible bonds under specific mandate has been approved by the shareholders of the Company at the special general meeting held on 7 March 2014. The Proposed Acquisition has not yet been completed as at the date of this report.

  Details of the Proposed Acquisition and the issue of convertible bonds under specific mandate are set out in the announcements of the Company dated 13 December 2013 and 7 March 2014 and the circular of the Company dated 19 February 2014.

Financial Summary

The following is a summary of the consolidated results and of the assets and liabilities of the Group:

For the year ended 31 December

	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 *(Note 1)*
Revenue	**19,194**	20,798	27,223	23,271	35,844
Cost of sales	**(15,652)**	(18,012)	(22,112)	(21,328)	(34,940)
Gross profit	**3,542**	2,786	5,111	1,943	904
Other revenue	**158**	14	11	305	3
Reclassification adjustments for the cumulative gain included in profit or loss upon early redemption of convertible bonds	**–**	790	–	–	–
Increase in fair value of investment properties, net	**160**	1,320	730	2,666	–
Increase in fair value of financial asset at fair value through profit or loss	**436**	–	–	–	–
Gain on early redemption of convertible bonds	**–**	272	–	–	–
Loss on disposal of partial interest in a subsidiary	**–**	(688)	–	–	–
Gain on disposal of subsidiaries	**86**	–	–	–	4,812
Distribution costs	**–**	–	–	–	–
Administrative expenses	**(28,274)**	(21,465)	(16,749)	(19,204)	(12,474)
Impairment loss on available-for-sale investment	**–**	(500)	–	–	–
Impairment loss on investment in an associate	**–**	(1)	–	–	–
Finance costs	**(1,853)**	(3,462)	(1,739)	(911)	(2,083)
Change in fair value of embedded conversion option of exchangeable bond	**–**	(112)	–	–	–
Loss before taxation	**(25,745)**	(21,046)	(12,636)	(15,201)	(8,838)
Taxation	**(15)**	–	(22)	–	–
Loss for the year	**(25,760)**	(21,046)	(12,658)	(15,201)	(8,838)
Other comprehensive expense for the year:					
Change in fair value of available-for-sale investments	**–**	790	–	–	–
Reclassification adjustments for the cumulative gain included in profit or loss upon early redemption of convertible bonds	**–**	(790)	–		
Other comprehensive expense for the year	**–**	–	–	–	–
Total comprehensive expense for the year	**(25,760)**	(21,046)	(12,658)	–	
Loss for the year attributable to:					
Owners of the Company	**(25,746)**	(21,046)	(12,658)	(15,201)	(8,838)
Non-controlling Interests	**(14)**	–	–	–	–
	(25,760)	(21,046)	(12,658)	(15,201)	(8,838)

Note 1: The consolidated results for the year ended 31 December 2009 included the results from continuing and discontinued operations.

Financial Summary

ASSETS AND LIABILITIES

As at 31 December

	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**7,978**	7,894	13,947	15,444	1,124
Current assets	**19,298**	5,806	6,645	5,659	27,320
Current liabilities	**11,981**	31,098	34,819	3,554	3,910
Net current assets (liabilities)	**7,317**	(25,292)	(28,174)	2,105	23,410
Non-current liabilities	**4,806**	–	3,200	22,318	28,549
Net assets (net liabilities)	**10,489**	(17,398)	(17,427)	(4,769)	(4,015)

Investment Property

At 31 December 2013

Location	Type	Lease Term	Effective held
Flat C, 29/F, Tower 3, Sky Tower, No. 38 Sung Wong Toi Road, To Kwa Wan, Kowloon, Hong Kong, together with a car-parking space No. R206 on the second floor of the same building	Residential	long-term lease	100%