中國基礎資源控股有限公司

China Primary Resources Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8117)

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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Expressed in Hong Kong dollars ("HK$")

Corporate Information

Board of directors

Executive Directors

Ms. Ma Zheng *(Chairman)*
Mr. Wong Pui Yiu
Mr. Pan Feng

Independent Non-Executive Directors

Mr. Wan Tze Fan Terence
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

Registered office, head office and principal place of business

Registered office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business

Suite 1415
Ocean Centre
5 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

Company secretary

Mr. Wong Chun Sing

Compliance officer

Mr. Wong Pui Yiu

Audit committee

Mr. Wan Tze Fan Terence *(Chairman)*
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

Nomination committee

Mr. Wan Tze Fan Terence *(Chairman)*
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

Remuneration committee

Mr. Wan Tze Fan Terence *(Chairman)*
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

Authorised representatives

Ms. Ma Zheng
Mr. Wong Pui Yiu

Principal bankers

Wing Hang Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited

Share registrar and transfer office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Stock code

8117

Website

http://china-p-res.etnet.com.hk

Cayman Islands assistant secretary

Codan Trust Company (Cayman) Limited

Auditors

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Hong Kong branch share registrar

Tricor Tengis Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong
(which will be relocated to
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong with effect from 31 March 2014)

Chairman's Statement

It is my pleasure to present the annual results of China Primary Resources Holdings Limited (the "Company") together with its subsidiaries (collectively referred to as the "Group"), for the year ended 31 December 2013.

Results and Operation

In the year 2013, the global economic environment had improved but was still unstable. Change of leaders of many leading countries has changed the political status of the world. In turn, world economy was then affected by political reasons. Although the People's Republic of China (the "PRC") was still politically and economically strong and stable when compared with other countries, certain areas like the finance sector and construction sector were still being adversely affected. As a PRC based Group which relies heavily on the construction sector, the performance and result in 2013 was fair. Significant loss was incurred due to relative low turnover and impairment losses on certain assets of the Group.

Turnover of the Group for the year ended 31 December 2013 was not performing well when compared to year 2012. The significant decrease in turnover was mainly due to the unstable performance of the property market in the PRC. The policy on property and city development in the PRC has been changing continually which directly affects the construction sector which in turn affects the demand of the Polyethylene pipes ("PE pipes").

Due to low turnover and relatively high production fixed costs, the gross margin in 2013 was not satisfactory. However, with the anticipated higher turnover under improved turnover and a strengthened customer portfolio, gross margin will definitely improve in 2014 and in the long term.

The business segment of the PE pipes has been the core business of the Group and continued as the main business of the Group in 2013. The PE pipes are products employed for construction and city development in the PRC. Our major customers are the government and public entities, or their suppliers, from different provinces and cities in the PRC. Given the continue development of the PRC economy and improvement of the property market in the long term, I believe that the demand for our products will increase.

Chairman's Statement

Amended Deed of Settlement

In 2013, the extension of the completion of the Amended Deed of Settlement (the Original Deed of Settlement as varied and amended by the Supplemental Deed) with Lehman Brothers Commercial Corporation Asia Limited had certain adverse effects on the business of the Group. However, with the effort of the directors and management, the Supplemental Deed (as defined below) was signed in January 2014. With the completion of the Amended Deed of Settlement, which is expected to be very soon, the Group can move on and I believe the future of the Group is bright.

Future Development

The above collective efforts strengthened the foundation of the Group and could lead to success in the long term. Currently, the Group's customer portfolio is stable and continues to grow. The turnover and the result of the Group should be much better in 2014 and thereafter. As the Chairman of the Company, I will continue to lead the board of directors and the Company to achieve our goal. I strongly believe that with the continue effort and support of the management team and business partners, the Group could develop into a leading manufacturer of PE pipes. In the meantime, we will continue to investigate for possible investing opportunities to increase the Company's value. In this respect, I can assure you that the shareholders' return will be increased in the near future.

Appreciation

On behalf of the board of directors, I would like to express my sincere gratitude to our shareholders, fellow directors, staff, customers, advisers and business partners for their ongoing support and contributions. 2014 is a challenging year but, with the strong commitment and contribution from all of you, I believe the Group can achieve its goal.

MA ZHENG
Chairman

Hong Kong, 24 March 2014

Management Discussion and Analysis

OPERATION REVIEW

Turnover of the Group for the year ended 31 December 2013 was decreased when compared to the corresponding period in 2012. However, there is still much room for the turnover to improve. The board of directors (the "Board") would like to report such level of the turnover was mainly due to the unstable performance of the property market in the PRC. The policy on property and city development in the PRC has been changing continually which directly affected the construction sector which in turn affects the demand of the PE pipes.

The Board and management have been working closely to strengthen the sale network with existing customers and in the meantime, looking for new customers so as to expand the customer portfolio. The above efforts on customer portfolio have strengthened the foundation of the Group and could lead to success in the long term. Currently, the customer portfolio is stable and continues to grow. The Board believes the turnover and the result of the Group will be much better in the first quarter of 2014 and thereafter.

As mentioned above, due to low turnover and relatively high production fixed costs, the gross margin was not meeting target. However, with the anticipated higher turnover under improved turnover and a strengthened customer portfolio, gross margin will definitely improve in 2014 and in the long term.

The business segment of the PE pipes has been the core business of the Group during the year under review and continued as the main business of the Group in 2013. The PE pipes are products employed for construction and city development in the PRC. The Group's major customers are the government and public entities, or their suppliers, from different provinces and cities in the PRC. Given the continue development of the PRC economy and improvement of the property market in the long term, the Board believes that the demands for the Group's products are both sustainable and look set to increase.

On 18 January 2013, the Group made capital contribution of RMB4,800,000 to a newly established company in the PRC with a registered capital of RMB12,000,000. This company was to be engaged in agricultural and related business and the Group held a 40% equity interest in this company. Subsequently, the shareholders of this company agreed not to proceed further. The Group obtained a full refund of the capital contribution made before end of the reporting period and the company was deregistered.

In the meantime, the Board has been exploring possible investing opportunities to increase the Company's value.

DEED OF SETTLEMENT AND DISPOSAL OF SUBSIDIARY

On 31 October 2007, the Company issued to Lehman Brothers Commercial Corporation Asia Limited ("Lehman Brothers") (the "Bondholder") the then 4.5% convertible bonds of the Company in the principal amount of approximately HK$246 million (the "Convertible Bonds" or "Bonds") which was due on 31 October 2010. On 17 September 2010, the Company, the Bondholder and the joint and several liquidators of Lehman Brothers (the "Liquidators") entered into the original agreement (the "Original Deed of Settlement") to set out the terms for the redemption of the Bonds. Details of the Original Deed of Settlement were set out in the announcement of the Company dated 27 September 2010 and the circular of the Company dated 11 October 2010. On 27 October 2010, the Original Deed of Settlement was approved by the Shareholders. Pursuant to the Original Deed of Settlement, the redemption of the Bonds is subject to fulfillment of certain conditions including but not limited to the transfer of the Sale Interest (as defined below) to the Bondholder or any third party as directed by the Bondholder and the payment of an aggregate amount of HK$85 million. As at the date of this annual report, an aggregate payment of HK$85 million has been made to the Bondholder but the transfer of such Sale Interest has not been effected as the necessary approvals and consent for the transfer of the 70% equity interest in ARIA LLC, a company incorporated in Mongolia with limited liability ("ARIA"), to Lehman Brothers or other third party in accordance with the terms of the Original Deed of Settlement (the "ARIA Transfer") has not been obtained from the relevant government authorities in Mongolia. Thus, the redemption of the Bonds has not been completed as at the date of this annual report.

Pursuant to the Original Deed of Settlement, the Sale Interest represents 100% of the issued share capital of Zhong Ping Resources Holdings Limited ("Zhong Ping"), a company incorporated in the British Virgin Islands ("BVI") with limited liability (being the holder of the 70% equity interest in ARIA), or, at the sole and absolute discretion of the Bondholder, all of the assets held directly or indirectly by Zhong Ping. Subsequently, the Bondholder elected to receive a transfer of the 70% equity interest in ARIA. To the best knowledge of the Directors, the registration of the ARIA Transfer could not be completed without a new joint venture agreement between a new shareholder and Selenge Mining LLC, a company organized and existing under the laws of Mongolia (the "Minority Shareholder"), having been agreed, signed and registered with the Legal Entity Registration Office of Mongolia. Due to the prolonged commercial negotiation between the Bondholder and the Minority Shareholder, it is unpredictable when a new joint venture agreement can be agreed and signed. The long-stop date has been extended several times to 31 January 2014 to allow more time for the ARIA Transfer. In view of the above deferral, the Bondholder and the Company have discussed and explored alternative to effect the transfer of Sale Interest to Lehman Brothers in order to expedite the fulfillment of conditions on the redemption of the Bonds.

Management Discussion and Analysis

After negotiations with the Bondholder and the Liquidators, the Company entered into a supplemental deed on 15 January 2014 (the "Supplemental Deed") with the Bondholder and the Liquidators, pursuant to which the Bondholder agreed to accept the transfer of the Zhong Ping Shares and revoke its election to receive the 70% equity interest in ARIA. Under such amendment, the transfer of the Zhong Ping Shares can be effected without the approvals and consent required for the ARIA Transfer in Mongolia as Zhong Ping is a BVI company and is wholly-owned by the Company.

Pursuant to the Original Deed of Settlement and the Supplemental Deed, the Company agrees to pay a total of approximately HK$122,000,000 and to transfer the Sale Interest (which is classified as assets classified held for sale and liabilities associated with assets classified as held for sale) to the Bondholder for the full settlement of the Bonds.

Details are set out in the announcements dated 27 September 2010, 28 October 2011, 28 December 2011, 24 February 2012, 27 March 2012, 29 May 2012, 28 August 2012, 27 December 2012, 27 June 2013, 30 September 2013, 31 October 2013, 29 November 2013, 30 December 2013 and 15 January 2014 and the circulars dated 11 October 2010 and 12 March 2014 of the Company.

LOAN AGREEMENT

Subsequent to the end of the reporting period, taking into account the current financial position of the Company, the Company has entered into a loan agreement (the "Loan Agreement") with an independent third party to finance the payment of the non-refundable deposit in the sum of HK$6 million (the "Deposit") and the amount in HK$ that is equal to the HK$ equivalent of RMB24,000,000 (the "Fourth Payment Amount"). On 15 January 2014, the Company (as borrower) and Excel Sino Investments Limited (as lender) entered into the Loan Agreement, pursuant to which the Lender agreed to provide loans up to HK$38.0 million to the Company for the payment of the Deposit and the Fourth Payment Amount as required under the Supplemental Deed.

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover was approximately HK$29,939,000 for the year ended 31 December 2013, which represented a decrease of approximately 24% when compared with last year's turnover of approximately HK$39,192,000. However, there is still much room for the turnover to improve. The Board would like to report such level of the turnover was mainly due to the unstable performance of the property market in the PRC. The policy on property and city development in the PRC has been changing continually which directly affected the construction sector which in turn affects the demand of the PE pipes.

During the year under review, audited loss before income tax was approximately HK$44,545,000 (2012: loss of approximately HK$76,236,000). The loss attributable to owners of the Company was approximately HK$44,578,000 (2012: loss of approximately HK$76,550,000). In the current economic environment, the Board will continue to exercise stringent cost control and maintain a low and effective overheads structure and prudently utilise the Group's corporate resources to create wealth for the Shareholders.

SHARE CONSOLIDATION

The consolidation of every five shares of HK$0.0125 each in the issued and unissued share capital of the Company into one consolidated share of HK$0.0625 each in the issued and unissued share capital of the Company (the "Share Consolidation") was duly passed by the Shareholders by way of poll at the extraordinary general meeting held on 4 July 2013 and came into effect on 5 July 2013.

The authorised ordinary share capital of the Company remain at HK$120,000,000 divided into 1,920,000,000 ordinary shares of HK$0.0625 each following the Share Consolidation.

The Share Consolidation increased the nominal value of the shares of the Company (the "Shares") and reduced the total number of Shares. Save for the necessary professional expenses and printing charges for the implementation of the Share Consolidation, the implementation of the Share Consolidation had not altered the underlying assets, business operation, management or financial position of the Company and the interests and rights of the Shareholders. Details of the Share Consolidation are set out in the announcement and circular of the Company dated 31 May 2013 and 14 June 2013 respectively.

Management Discussion and Analysis

BUSINESS OUTLOOK AND PROSPECTS

The business of production and sale of the PE pipes were not performing well in the year 2013. However, the Board believes that this business segment will start to grow and perform much better in the year 2014 onwards. The Group has been building an effective sales team to explore new markets and identify more customers for its products. Moreover, there are going to be many new customers in 2014 which will definitely improve the business of the Group.

With the anticipated completion of the Amended Deed of Settlement (the Original Deed of Settlement as varied and amended by the Supplemental Deed) in 2014 and the continued development of the pipes manufacturing business, the Group is targeting to become one of the largest PE pipes manufacturers in the market. In the meantime, the Board has been investigating possible investing opportunities to increase Company's value.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, net assets of the Group were approximately HK$247,983,000 (2012: approximately HK$283,704,000) while its total assets were approximately HK$550,965,000 (2012: approximately HK$582,189,000) including cash and bank balances of approximately HK$20,934,000 (2012: approximately HK$7,111,000).

FUNDING ACTIVITIES DURING THE YEAR

The Company did not carry out any fund raising activities during the year under review.

GEARING RATIO

As at 31 December 2013, current assets of the Group amounted to approximately HK$393,899,000 which included cash of approximately HK$1,706,000, US$93,000 and RMB14,449,000 and assets classified as held for sale of HK$207,612,000, while current liabilities stood at approximately HK$302,982,000 which included the Bonds of HK$246,250,000 and liabilities associated with assets classified as held for sale of HK$29,510,000. Shareholders' funds amounted to approximately HK$214,078,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 105.25% (the Bonds less cash balances to equity attributable to owners of the Company) as of 31 December 2013. The gearing ratio would be nil if assets classified as held for sale, liabilities associated with assets classified as held for sale and the Bonds were excluded.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Sales and payment of the Group are denominated in Hong Kong dollars and Renminbi ("RMB"). The Group's cash and bank deposit were mainly denominated in Hong Kong dollars and RMB, and the business is mainly operated in the PRC. The only foreign currency exposure comes mainly from the funds movement between Hong Kong and the PRC. With the anticipated appreciation of RMB, the Group's foreign currency exposure was minimal for the year under review, except for certain material purchases. No hedging or other alternatives had been implemented for foreign currency exposure. However, the Group will continue to monitor closely the exchange rate movements and will enter into hedging arrangements in future if necessary.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any significant contingent liabilities and no assets of the Group were pledged.

SEGMENT INFORMATION

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

CAPITAL STRUCTURE

The ordinary shares of the Company were initially listed on the GEM of the Stock Exchange on 13 December 2001. As at 31 December 2013, the issued share capital of the Company was made up of 482,880,984 ordinary shares of HK$0.0625 each.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES/FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed above, there was no material acquisition or disposal of subsidiaries and affiliated companies during the year.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS

The Group had not made any significant investment for the year ended 31 December 2013.

EMPLOYEE INFORMATION

As at 31 December 2013, the Group had 5 full-time employees working in Hong Kong and 110 full-time employees working in the PRC. Total employees' remuneration for the year under review amounted to approximately HK$11,874,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Biographical Details of Directors and Senior Management

Directors

Ms. Ma Zheng, aged 47

Chairman and Executive Director

Ms. Ma joined the Group in February 2004. She is currently the chairman and the major shareholder of the Company. Ms. Ma has over 24 years of experience in international trade, electronic industry and corporation management. She graduated from Wuhan University majoring in construction structure engineering.

Mr. Wong Pui Yiu, aged 51

Executive Director

Mr. Wong joined the Group in February 2008. He has over 13 years of experience in business administration and corporate management. He is currently the general manager of Smart Honest Group Limited which has been a distributor of semiconductors since 2004.

Mr. Pan Feng, aged 38

Executive Director

Mr. Pan joined the Group in March 2014. Mr. Pan holds a bachelor degree in Economics and a master degree in Economics from Jiangxi University of Finance and Economics in the PRC. Mr. Pan has over 15 years of experiences in project investment, acquisition and merger, public utilities and corporate management. He had worked in China Southern Securities Co. Ltd, China Gas Holdings Limited and Accenture (China) Co. Ltd.

Mr. Wan Tze Fan Terence, aged 49

Independent Non-executive Director

Mr. Wan joined the Group in March 2004. Mr. Wan holds a bachelor degree in commerce and a master degree in business administration. Mr. Wan has years of experience in accounting and financial management. He had worked for international accounting firms and listed companies in Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountants of CPA Australia. Currently, he is an executive director of Sino Oil and Gas Holdings Limited, which is listed on the main board of The Stock Exchange of Hong Kong Limited.

Biographical Details of Directors and Senior Management

Mr. Chung Chin Keung, aged 46

Independent Non-executive Director

Mr. Chung joined the Group in February 2008. Mr. Chung holds a bachelor degree of Business Administration from the Hong Kong Baptist University and a master degree in Business Administration from Manchester Business School. Mr. Chung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Institute of Financial Consultants and an associate member of The Institute of Chartered Accountants in England and Wales. He has more than 21 years of experience in finance, accounting and management. Mr. Chung is currently the financial controller and company secretary of China Financial Services Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. Wang Xiao Bing, aged 46

Independent Non-executive Director

Mr. Wang joined the Group in March 2012. Mr. Wang holds a bachelor degree in law from China University of Political Science and Law. He used to work for several famous corporations and law office in China. He has over 12 years of experience in corporation law counselor. Mr. Wang has the lawyer's license of China and he is a member of Shenzhen lawyer association. Currently, Mr. Wang is a lawyer and one of the partners of Guangdong C&B Law Office, which is a new style and professional law office.

Senior management

Mr. Wong Chun Sing, aged 43

Financial Controller and Company Secretary

Mr. Wong joined the Group in April 2008. Mr. Wong holds a master degree in business administration. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong has over 20 years of management experience in the accounting and finance sector and he had worked for an international accounting firm, listed companies and securities and finance companies in Hong Kong.

Directors' Report

The directors of the Company (the "Director(s)") herein present their report and the audited financial statements for the year ended 31 December 2013.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in Note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

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

Results and appropriations

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 36 to 108.

The Board does not recommend the payment of any dividend.

Share capital

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

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 31 to the financial statements, respectively.

Directors' Report

Distributable reserves

As at 31 December 2013, the Company had reserves available for distribution amounted to approximately HK$166,162,000 (2012: approximately HK$200,873,000) as calculated according to the laws of the Cayman Islands.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 17 to the financial statements.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's articles of association (the "Articles of Association") and there is no restriction against such rights under the laws of the Cayman Islands, which will oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 109.

Purchase, sale or redemption of securities

The Company had not redeemed any of its ordinary shares during the year ended 31 December 2013. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares during the year ended 31 December 2013.

Directors

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

Executive Directors

Ms. Ma Zheng
Mr. Wong Pui Yiu
Mr. Pan Feng (appointed on 1 March 2014)

Independent Non-Executive Directors

Mr. Wan Tze Fan Terence
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

In accordance with article 86(3) of the Company's Articles of Association, Mr. Pan Feng will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with article 87(1) of the Articles of Association, Mr. Wong Pui Yiu and Mr. Wang Xiao Bing, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Pursuant to the code provision as set out in paragraph A.4.3 of Appendix 15 of the GEM Listing Rules, any further appointment of independent non-executive director serving more than 9 years should be subject to a separate resolution to be approved by the shareholders of the Company. Mr. Wan Tze Fan Terence is an independent non-executive Director serving the Company for more than 9 years. Any further appointment of Mr. Wan Tze Fan Terence will follow the requirements of paragraph A.4.3 of Appendix 15 of the GEM Listing Rules. The Board considers that Mr. Wan Tze Fan Terence continues to be independent as he has satisfied all the criteria for independence set out in Rule 5.09 of the GEM Listing Rules.

All other remaining Directors will continue in office.

All Directors are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provisions of the Articles of Association and code provision as set out in paragraph A.4.3 of Appendix 15 of the GEM Listing Rules.

Mr. Wan Tze Fan Terence is an independent non-executive Director and was appointed without a specific term.

Directors' Report

Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on pages 12 and 13.

Directors' service contracts

Ms. Ma Zheng and Mr. Wong Pui Yiu, both are executive Directors, have renewed their service contracts with the Company for a term of two years commenced on 1 January 2014 and 1 February 2014 respectively. Mr. Pan Feng, executive Director, entered into a service contract with the Company for a term of two years commenced on 1 March 2014. They are subject to termination by either party giving not less than three months' written notice. These service contracts are exempt from the shareholders' approval requirement under Rule 17.90 of the GEM Listing Rules of the Stock Exchange.

Independence of independent non-executive directors

Each of the independent non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors to be independent.

Directors' interests

No contract of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at 31 December 2013, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

The approximate percentage of interest set out below is based on 482,880,984 ordinary shares in issue as at 31 December 2013.

Long position in the ordinary shares of HK$0.0625 each in the Company as at 31 December 2013:

	Number of ordinary shares held		
Name of Director	**Type of interests**	**Number of ordinary shares**	**Approximate percentage of interests**
Ms. Ma Zheng	Beneficial	243,675,162	50.46%

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executive of the Company had any other interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations, within the meaning of Part XV of the SFO required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Share option

On 8 May 2012, a new share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who would contribute to the success of the Group's operations. Under the terms of the Share Option Scheme, the Board may, at its discretion, grant options to any full-time employee and any Director or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may fall to be issued upon exercise of all of the outstanding options granted and yet to be exercised under the Share Option Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. The Share Option Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional.

Directors' Report

The Share Option Scheme was adopted by the shareholders of the Company at the annual general meeting of the Company held on 8 May 2012.

The definition of eligible person in the Share Option Scheme include any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders.

Where options are proposed to be granted to a connected person who is also a substantial shareholder or an independent non-executive Director or their respective associates and if such grant would result in the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, then the proposed grant must be subject to the approval of shareholders of the Company taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting.

The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day, (ii) the average of the closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant. Any options granted under the Share Option Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Share Option Scheme). A nominal value of HK$1.00 is payable on acceptance of each grant of options.

No share options were granted by the Company and no share options were exercised or lapsed during the year.

Substantial shareholders' interests and short positions in the shares and underlying shares of the Company

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2013, the Company had been notified that the following substantial shareholders having the following interests and short positions, being 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, in the Company. These interests are shown in addition to those disclosed above in respect of the Directors and chief executives:

The approximate percentage of interest set out below is based on 482,880,984 ordinary shares in issue as at 31 December 2013.

Long position in the underlying shares or debentures of the Company as at 31 December 2013:

Name	Type of interests	Description of derivatives	Number of underlying shares can be converted	Approximate percentage of interests
Lehman Brothers (in liquidation)	Beneficial	The Bonds in the principal amount of HK$246,250,000	Nil (Note)	N/A

Note: The conversion rights attached to the Bonds have expired after the original maturity date (i.e. 31 October 2010).

Save as disclosed above, as at 31 December 2013, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who had an interest, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or any other substantial shareholders whose interests or short position were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Report

Directors' rights to acquire shares

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for approximately 56% of the total sales for the year, and sales to the largest customer included therein amounted to approximately 12%.

Purchases from the Group's largest supplier accounted for approximately 24% of the total purchases for the year and the five largest suppliers accounted for approximately 70% of the Group's total purchases for the year.

None of the Company's Directors or their respective associates (as defined in the GEM Listing Rules) or the existing shareholders, which, to the knowledge of the Directors holding more than 5% of the Company's issued share capital, had any interests in the Group's five largest customers or suppliers at any time during 2013.

Corporate governance

A report on the principal corporate governance practice adopted by the Company is set out on pages 24 to 33 of this annual report.

Audit committee

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary role and function of the audit committee, among other things, are to (i) review the financial controls, internal controls and risk management systems of the Group; (ii) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; and (iii) review the financial statements and the quarterly, interim and annual reports of the Group. During the year under review, the Audit Committee comprised three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company. During the year under review, the Audit Committee held four meetings and performed duties including reviewing the Group's quarterly, interim and annual reports and announcements. After reviewing the Group's financial statements for the year ended 31 December 2013, the Audit Committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 December 2013 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Remuneration committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 1 June 2005. The primary role and function of the Remuneration Committee is to consider and recommend to the Board on the Group's remuneration policy and structure for the remuneration of all executive Directors and senior management and to review and determine the remuneration packages of the executive Directors and senior management. During the year under review, the Remuneration Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company.

Nomination committee

The nomination committee of the Company (the "Nomination Committee") was established on 22 March 2012. The primary role and function of the Nomination Committee, among other things, are to (i) review the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) assess the independence of the independent non-executive Directors; and (iii) make recommendations to the Board on appointment and re-appointment of Directors. The Nomination Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company.

Directors' Report

Connected and related party transactions

Details of the related party transactions during the year are included in Note 34 to the financial statements. The Directors are of the opinion that the related party transactions were conducted on normal commercial terms and in the ordinary course of business and did not require reporting pursuant to Chapter 20 of the GEM Listing Rules.

Competition and conflict of interests

During the year under review, none of the Directors, significant shareholders, substantial shareholders and any of their respective associates had been engaged in any business that competed or might compete directly or indirectly, with the business of the Group, or had or might have any other conflicts of interest with the Group.

Sufficiency of public float

The Company had maintained sufficient public float throughout the year ended 31 December 2013.

Contingent liabilities

As at 31 December 2013, the Directors were not aware of any material contingent liabilities.

Events after the reporting date

Details of events after the reporting date are set out in Note 38 to the financial statements.

Auditors

The financial statements have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as the auditors of the Company.

On behalf of the Board

Ma Zheng
Chairman

Hong Kong, 24 March 2014

(A) Corporate governance practices

The Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code for the year ended 31 December 2013 (the "Code") contained in Appendix 15 of the Rules (the "GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), with the exception of two deviations as set out under section (D) and (F) below. The application of the relevant principles and the reasons for the abovementioned deviations are contained in this report.

The Company strives to attain and maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The Company's corporate governance principles emphasise the need to have a quality Board, effective internal control and accountability to shareholders.

(B) Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in the Rules 5.48 to 5.67 of the GEM Listing Rules. All Directors confirmed they had complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the year.

(C) Board of directors

The Company is governed by the Board, which has the responsibility for leading and controlling the Company. The Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. More specifically, the Board formulates strategy, monitors its financial performance and maintains effective oversight over management. The Board delegates daily operations and administration of the Company to management.

The Board includes (up to the approval date of this financial statements) the Chairman together with two executive Directors, and three independent non-executive Directors, and their biographical details have been set out in the "Biographical Details of Directors and Senior Management" section.

Corporate Governance Report

Board Meetings

The Company Secretary is responsible to the Board for providing with Board papers and related materials, for ensuring that all Board procedures and all applicable laws, rules and regulations are followed, and for reporting to the Chairman and/or the chief executive on governance matters. All Directors have unrestricted access to the advice and services of the Company Secretary. The Company Secretary also keeps minutes of all meetings which are available for inspection at any reasonable time on reasonable notice by any Director.

In case where a conflict of interest may arise involving a substantial shareholder or a director, such matter will be discussed through an actual meeting and will not be dealt with by written resolutions. Independent non-executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues. The board committees, including the audit committee, the remuneration committee and the nomination committee, have all adopted the applicable practices and procedures used in board meetings for all committee meetings. If considered to be necessary and appropriate by the Directors, they may retain independent professional advisors at the Group's expense.

The Board meets regularly and held 19 Board meetings in 2013. At least 14 days notice of the regular Board meetings were given to all Directors, who were all given an opportunity to include matters in the agenda for discussion. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each regular board meeting or committee meeting to keep Directors apprised of the latest development and financial position of the Company and to enable them to make informed decisions. The Directors attended the meetings in persons or through other means of electronic communication in accordance with the Articles of Association. During regular Board meetings, the Directors discussed and formulated the overall strategies of the Group, reviewed and approved the annual, interim and quarterly results, as well as discussed and decided on other significant matters of the Group. All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board. Individual attendance records of each Director at the respective Board and committee meetings are set out in the section of "Directors' Attendance Record at Meetings" of this report.

Continuous Professional Development

Pursuant to code provision A.6.5 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending seminars or programmes or studying relevant materials on the topics related to corporate governance and regulations.

The individual training record of each Director received for the year ended 31 December 2013 is summarized below:

Name of Directors	**Attending seminar(s) or programme(s)/ studying relevant materials in relation to the business or directors' duties**
	Yes/No
Executive Directors	
Ms. Ma Zheng *(Chairman)*	Yes
Mr. Wong Pui Yiu	Yes
Independent non-executive Directors	
Mr. Wan Tze Fan Terence *(Committee Chairman)*	Yes
Mr. Chung Chin Keung	Yes
Mr. Wang Xiao Bing	Yes

All Directors also understand the importance of continuous professional development and are committed to participate in any suitable training or study relevant materials in order to develop and refresh their knowledge and skills.

During the year under review, there was no conflict of interest in any matters with the substantial shareholders and Directors of the Company. In addition, if the Board considers a Director to be having a conflict of interest, that Director will be required to abstain from voting.

Corporate Governance Report

(D) Chairman and chief executive officer

For the year 2013, we still did not have an officer with the title of "Chief Executive Officer". The Code envisages that the management of the Board should rest with the Chairman, whereas the day-to-day management of the Company's business should rest with the Chief Executive. Ms. Ma Zheng, the Chairman, is also a director of the Company's production plant in Yichang City. This constitutes a deviation of code provision A.2.1 of the Code. The Board holds the view that this arrangement is appropriate for the Company but we do not compromise accountability and independent decision making for this since we have an audit committee, all members of which are independent non-executive Directors, to help to ensure the accountability and independence of Ms. Ma Zheng.

(E) Appointment and re-election of directors

According to the Articles of Association, which provided that (a) every director, including those appointed for a specific term, should be subjected to retirement by rotation at least once every three years; and (b) all directors appointed to fill casual vacancy should be subject to election by shareholders at the next following general meeting of the Company after their appointment.

(F) Independent non-executive directors

During the year under review, the Company had three independent non-executive Directors, they were Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing. Except for Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are appointed for a specific term of two years, Mr. Wan Tze Fan Terence is not appointed for any specific terms. This constitutes a deviation of code provision A.4.1 of the Code which requires that non-executive Directors should be appointed for specific terms. However, he is subject to retirement by rotation at least once every three years in accordance with the Articles of Association. The Board has discussed and concluded that the current practice of appointing non-executive directors without specific terms but otherwise subject to retirement and re-election is fair and reasonable, and therefore will not change the terms of appointment of Mr. Wan Tze Fan Terence.

Pursuant to the code provision A.4.3 of the Code, any further appointment of independent non-executive Director serving more than 9 years should be subject to a separate resolution to be approved by the shareholders of the Company. Mr. Wan Tze Fan Terence is an independent non-executive Director serving the Company for more than 9 years. Any further appointment of Mr. Wan Tze Fan Terence should will follow the requirements of paragraph A.4.3 of Appendix 15 of the GEM Listing Rules. The Board considers that Mr. Wan Tze Fan Terence continues to be independent as he has satisfied all the criteria for independence set out in Rule 5.09 of the GEM Listing Rules.

(G) Responsibilities of directors

The Board will make sure every newly appointed director will receive the necessary information for his proper understanding of the operations and business of the Group and that he will be fully aware of his responsibilities under statute and common law, the GEM Listing Rules and other regulatory requirements and governance policies of the Company. The Directors will continually update themselves with legal and regulatory development, business and market changes and the development of the Company so as to facilitate the discharge of their responsibilities.

(H) Remuneration committee

The Board has established a remuneration committee with specific written terms of reference in compliance with the code provision B.1.2 of the Code. These terms of reference were already reviewed by all Directors before they were adopted. During the year under review, the remuneration committee comprised only of the independent non-executive Directors, namely Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing. Mr. Wan Tze Fan Terence is the chairman of the remuneration committee. The remuneration committee had held one meeting during 2013 and was attended by Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing.

The role and function of the remuneration committee include determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration package. During the year under review, the remuneration committee adopted the approach under the code provision B.1.2(c)(ii) of the Code to made recommendations to the Board on the remuneration package of executive Directors and senior management.

(I) Nomination committee

The Company established the nomination committee on 22 March 2012 with written terms of reference in compliance with the code provision A.5.2 of the Code. The primary role and function of the nomination committee, among other things, are to (i) review the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to Board to complement the Company's corporate strategy; (ii) assess the independence of independent non-executive Directors; and (iii) make recommendations to the Board on appointment and re-appointment of Directors. The nomination committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing, all of them are independent non-executive Directors. Mr. Wan Tze Fan Terence is the Chairman of the nomination committee.

The nomination committee had held one meeting during the year under review. The nomination committee reviewed the structure, size and composition of the Board and assessed the independence of independent non-executive Directors.

(J) Audit committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the Code. The primary role and function of the audit committee, among other things, are to (i) review the financial controls, internal controls and risk management systems of the Group; (ii) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; and (iii) review the financial statements and the quarterly, interim and annual reports of the Group. During the year under review, the audit committee comprised three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing, all of them are independent non-executive Directors. Mr. Wan Tze Fan Terence is the chairman of the audit committee.

The audit committee had held four meetings during the year under review. The audit committee has reviewed and provided supervision over the financial reporting system and internal control procedures of the Group and to review the Company's annual report and accounts, interim report and quarterly reports and to provide advice and comments thereon to the Board that such reports were prepared in accordance with the applicable accounting standards and requirements. The audit committee also met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending the annual financial reports to the Board for approval.

Corporate Governance Report

The audit committee is satisfied with their review of the audit fee and audit process and has recommended the Board to re-appoint the existing auditors at the forthcoming annual general meeting.

The Group's 2013 annual report, 2013 quarterly reports and 2013 interim report had been reviewed by the audit committee.

Directors' Attendance Record at Meetings

Details of the attendance of the Directors at the meetings of the Board and its respective committees during the year ended 31 December 2013 are as follows:

Name of Directors	Board Meeting Attended/ Eligible to attend	Audit Committee Attended/ Eligible to attend	Remuneration Committee Meeting Attended/ Eligible to attend	Nomination Committee Meeting Attended/ Eligible to attend	General Meeting Attended/ Eligible to attend
Number of meetings held during the financial year	19	4	1	1	2
Executive Directors					
Ms. Ma Zheng *(Chairman)*	15/19	3/4	0/1	0/1	2/2
Mr. Wong Pui Yiu	19/19	3/4	0/1	0/1	2/2
Independent non-executive Directors					
Mr. Wan Tze Fan Terence *(Committee Chairman)*	13/19	4/4	1/1	1/1	1/2
Mr. Chung Chin Keung	12/19	3/4	1/1	1/1	0/2
Mr. Wang Xiao Bing	11/19	2/4	1/1	1/1	1/2

Directors' and Auditors' Responsibilities in respect of the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company and the Group for the year ended 31 December 2013.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

Corporate Governance Report

The management provides such explanations and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Group put to the Board for approval.

The responsibilities of the external auditors of the Company for reporting responsibilities on the financial statements are set out in the independent auditors' report on pages 34 and 35.

(K) Auditors' remuneration

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions can lead to any potential material adverse effect on the Company. During the year under review, an amount of approximately HK$880,000 (2012: approximately HK$780,000) was charged to the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013 for audit services provided by to the external auditors. No non-audit service was performed by auditors during the year under review.

(L) Internal control

The Directors of the Company know that they have the overall responsibility for the Company's internal control, financial control and risk management and shall monitor its effectiveness from time to time. Therefore, the Company has already adopted a well-designed internal control system to safeguard the assets of the Company and the shareholders' investments and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of GEM Listing Rules. In view of the immaterial change of the internal control system in 2013, the audit committee has assigned the finance department of the Company to review designated parts of the system and a report will be presented to the audit committee in due course. The Board considers that the existing internal control system of the Group basically covers the current operating conditions of the Group. However, with the sustained development of the Group's business and continual increase in management standard, the internal control system of the Group shall need continuous revision and improvement.

(M) Company secretary

Mr. Wong Chun Sing is the Company Secretary of the Company. As an employee of the Company, he is responsible to the Board for ensuring the board procedures are followed and that the Board is briefed on legislative, regulatory and corporate governance development. During the year under review, Mr. Wong confirmed that he undertook not less than 15 hours of relevant professional training. His biography is set out in the "Biographical Details of Directors and Senior Management" of this annual report.

(N) Communication with shareholders

Communication with shareholders is given a high priority. The Company aims to provide its shareholders with high standards of disclosure and financial transparency through the publication of annual, interim and quarterly reports, announcements and circulars made through websites of the Company and of the Stock Exchange.

The Board also maintains an on-going dialogue with shareholders and make use of general meetings to communicate with shareholders. The Company encourages all shareholders to attend general meetings which provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Board and members of relevant committees and senior management of the Company are available to answer shareholders' questions in all general meetings.

(O) Investor relations

The Company disclosed all necessary information to shareholders in compliance with GEM Listing Rules. The Company will also reply to enquires from shareholders on request.

During the year under review, there was no significant change in the Articles of Association.

Corporate Governance Report

(P) Shareholders' rights

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website and the Company's website after the relevant shareholders' meeting.

(Q) Right to convene extraordinary general meeting

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to Article 58 of the Articles of Association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals at general meeting of the Company by sending the same to the Company's head office and principal place of business in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's head office and principal place of business in Hong Kong.

Independent Auditors' Report

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TO THE SHAREHOLDERS OF CHINA PRIMARY RESOURCES HOLDINGS LIMITED
(中國基礎資源控股有限公司)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Primary Resources Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 108, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by 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 determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Auditors' Report

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Shiu Hong NG
Practising Certificate Number: P03752

Hong Kong, 24 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 (Restated)
Turnover	6	**29,939**	39,192
Other income and gains and losses	8	**979**	6,494
Cost of sales		**(41,448)**	(44,136)
Staff costs, including directors' remuneration	15	**(10,133)**	(9,205)
Depreciation		**(4,880)**	(4,743)
Amortisation of land use rights	18	**(775)**	(764)
Impairment loss on property, plant and equipment	17	**–**	(31,975)
Impairment loss on trade receivables	23	**(4,027)**	(23,060)
Reversal of provision for impairment loss on prepayments	24	**–**	7,783
Other operating expenses		**(14,183)**	(15,777)
Finance costs	9	**(17)**	(45)
Loss before income tax	10	**(44,545)**	(76,236)
Income tax	11	**(33)**	(314)
Loss for the year		**(44,578)**	(76,550)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**8,077**	3,293
Change in fair value of available-for-sale investments		**780**	784
Other comprehensive income for the year		**8,857**	4,077
Total comprehensive income for the year		**(35,721)**	(72,473)
Loss attributable to:			
Owners of the Company		**(44,578)**	(76,550)
Non-controlling interests		**–**	–
		(44,578)	(76,550)
Total comprehensive income attributable to:			
Owners of the Company		**(35,721)**	(72,473)
Non-controlling interests		**–**	–
		(35,721)	(72,473)
Basic and diluted loss per share (HK$)	14	**(0.092)**	(0.159)

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	17	**115,269**	123,250
Land use rights	18	**31,726**	31,575
Available-for-sale investments	21	**10,071**	36,398
Total non-current assets		**157,066**	191,223
Current assets			
Inventories	22	**19,821**	35,147
Trade receivables	23	**33,820**	30,891
Other receivables, deposits and prepayments	24	**111,008**	108,264
Investments held for trading	25	**704**	1,941
Cash and cash equivalents	26	**20,934**	7,111
		186,287	183,354
Assets classified as held for sale	19	**207,612**	207,612
Total current assets		**393,899**	390,966
Total assets		**550,965**	582,189
Current liabilities			
Trade payables	27	**9,655**	9,770
Other payables and accruals		**17,161**	11,951
Customers' deposits		**406**	1,004
Convertible bonds	28	**246,250**	246,250
		273,472	268,975
Liabilities associated with assets classified as held for sale	19	**29,510**	29,510
Total current liabilities		**302,982**	298,485

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2013

	Note	2013 HK$'000	2012 HK$'000
Net current assets		**90,917**	92,481
NET ASSETS		**247,983**	283,704
Equity			
Share capital	29	**30,180**	30,180
Reserves		**183,898**	219,619
Equity attributable to owners of the Company		**214,078**	249,799
Non-controlling interests		**33,905**	33,905
TOTAL EQUITY		**247,983**	283,704

These financial statements were approved and authorised for issue by the board of directors on 24 March 2014.

Ma Zheng
Director

Wong Pui Yiu
Director

Statement of Financial Position

AS AT 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Interests in subsidiaries	20	**540,197**	574,278
Available-for-sale investments	21	**5,460**	4,680
Total non-current assets		**545,657**	578,958
Current assets			
Other receivables, deposits and prepayments	24	**85,223**	85,209
Cash and cash equivalents		**45**	130
Total current assets		**85,268**	85,339
Total assets		**630,925**	664,297
Current liabilities			
Other payables and accruals		**11,129**	10,532
Amounts due to subsidiaries	20	**157,718**	157,756
Convertible bonds	28	**246,250**	246,250
Total current liabilities		**415,097**	414,538
Net current liabilities		**(329,829)**	(329,199)
NET ASSETS		**215,828**	249,759
Equity			
Share capital	29	**30,180**	30,180
Reserves	31	**185,648**	219,579
TOTAL EQUITY		**215,828**	249,759

These financial statements were approved and authorised for issue by the board of directors on 24 March 2014.

Ma Zheng	**Wong Pui Yiu**
Director	*Director*

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

	Equity attributable to owners of the Company								
	Share capital HK$'000	Share premium account HK$'000 (Note a)	Convertible bonds reserve HK$'000	Statutory surplus reserve HK$'000 (Note b)	Available-for-sale financial assets reserve HK$'000 (Note c)	Exchange translation reserve HK$'000 (Note d)	Accumulated losses HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2012	30,180	443,564	17,922	5,110	–	70,286	(244,790)	33,905	356,177
Loss for the year	–	–	–	–	–	–	(76,550)	–	(76,550)
Other comprehensive income	–	–	–	–	784	3,293	–	–	4,077
Total comprehensive income	–	–	–	–	784	3,293	(76,550)	–	(72,473)
Balance at 31 December 2012 and at 1 January 2013	**30,180**	**443,564**	**17,922**	**5,110**	**784**	**73,579**	**(321,340)**	**33,905**	**283,704**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(44,578)**	**–**	**(44,578)**
Other comprehensive income	**–**	**–**	**–**	**–**	**780**	**8,077**	**–**	**–**	**8,857**
Total comprehensive income	**–**	**–**	**–**	**–**	**780**	**8,077**	**(44,578)**	**–**	**(35,721)**
Balance at 31 December 2013	**30,180**	**443,564**	**17,922**	**5,110**	**1,564**	**81,656**	**(365,918)**	**33,905**	**247,983**

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

Notes:

(a) The share premium account of the Group includes: (i) the premium arising from the issue of shares of the Company at a premium less share issue expenses; and (ii) the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the reorganisation scheme (the "Group Reorganisation") in preparation for the public listing of the Company's shares on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") over the nominal value of the shares of the Company issued in exchange therefor.

(b) Subsidiaries of the Company established in the People's Republic of China (the "PRC") are required to transfer 10% of their profit after income tax calculated in accordance with the PRC accounting regulations to the statutory surplus reserve until the reserve reaches 50% of their respective registered capital, upon which any further appropriation will be made at the recommendation of the directors of subsidiaries. Such reserve may be used to reduce any loss incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries. No appropriation has been made by the Company's PRC subsidiaries during the years ended 31 December 2013 and 2012 as these subsidiaries have incurred losses in both years.

(c) Available-for-sale financial assets reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the end of reporting period and is dealt with in accordance with the accounting policy in Note 4(g)(ii).

(d) Exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. This reserve is dealt with in accordance with the accounting policy in Note 4(m).

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Operating activities			
Loss before income tax		**(44,545)**	(76,236)
Adjustments for:			
Depreciation	17	**13,737**	13,266
Amortisation of land use rights	18	**775**	764
Bank interest income	8	**(35)**	(49)
Investment income from unlisted investment funds	8	**(493)**	(165)
Finance costs	9	**17**	45
Fair value loss on investments held for trading	8	**18**	70
Loss on disposal of property, plant and equipment	8	**–**	9
Write off of property, plant and equipment	8	**94**	165
Impairment loss on property, plant and equipment	17	**–**	31,975
Write down of inventories	22	**2,626**	3,126
Write off of inventories	10	**644**	–
Impairment loss on trade receivables	23	**4,027**	23,060
Reversal of provision for impairment loss on prepayments	24	**–**	(7,783)
Operating loss before working capital changes		**(23,135)**	(11,753)
Decrease/(increase) in inventories		**11,923**	(14,992)
(Increase)/decrease in trade receivables		**(6,038)**	20,482
Decrease in other receivables, deposits and prepayments		**1,396**	24,115
Decrease/(increase) in investments held for trading		**1,219**	(2,011)
Decrease in trade payables		**(115)**	(1,869)
Increase in other payables and accruals		**1,770**	259
(Decrease)/increase in customers' deposits		**(598)**	1,004
Effect of foreign exchange differences		**1,236**	1,138
Cash (used in)/generated from operations		**(12,342)**	16,373
Income tax paid		**(33)**	(32)
Bank interest income received		**35**	49
Net cash (used in)/generated from operating activities		**(12,340)**	16,390

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Investing activities			
Purchases of property, plant and equipment	17	**(1,604)**	(9,533)
Purchases of available-for-sale investments	21	**(4,611)**	(31,718)
Proceeds from disposal of available-for-sale investments		**31,718**	–
Proceeds from disposal of property, plant and equipment		**–**	17
Investment income received		**493**	165
Net cash generated from/(used in) investing activities		**25,996**	(41,069)
Financing activities			
Proceeds from other borrowing		**–**	11,008
Repayment of other borrowing		**–**	(11,008)
Interest paid		**(17)**	(45)
Net cash used in financing activities		**(17)**	(45)
Net increase/(decrease) in cash and cash equivalents		**13,639**	(24,724)
Cash and cash equivalents at beginning of year		**7,112**	31,540
Effect of foreign exchange rate changes		**184**	296
Cash and cash equivalents at end of year		**20,935**	7,112
Analysis of the balances of cash and cash equivalents			
Cash at banks and in hand		**20,935**	7,112

Notes to the Financial Statements

31 DECEMBER 2013

1. ORGANISATION AND OPERATIONS

The Company is a limited liability company incorporated in the Cayman Islands, as an exempted company under the Companies Law (2001 Revision) of the Cayman Islands on 5 September 2001. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is in Hong Kong. The Company's shares are listed on the GEM of the Stock Exchange.

The principal activity of the Company is investment holding. The Group engages in the manufacture and sale of Polyethylene pipes ("PE pipes") and operates primarily in the PRC market. The activities of the subsidiaries are set out in Note 20 to the financial statements.

As disclosed in Note 19, the Group ceased its mining activities in the independent sovereign state of Mongolia since November 2010 and is in the final stage of completing the disposal of its mining business to the holder of the Company's Convertible Bonds.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective on 1 January 2013

In the current year, the Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the current accounting period.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 19 (2011)	Employee Benefits

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective on 1 January 2013 *(Continued)*

The principal effects of adopting these new/revised HKFRSs are as follows:

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or reclassification has a material effect on the information presented in the opening position. Further, this opening statement of financial position does not have to be accompanied by comparative information in the related notes. This is consistent with the Group's existing accounting policy. The adoption of these amendments has no impact on the Group's financial statements.

HKFRSs (Amendments) – Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

Amendments to HKAS1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 December 2013. Items of other comprehensive income that may and may not be reclassified to profit or loss in the future have been presented separately in the consolidated statement of profit or loss and other comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective on 1 January 2013 *(Continued)*

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

The adoption of the amendments has no impact on the Group's financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest (see Note 4(b)).

The adoption of this accounting standard has no effect on the Group's financial position or performance.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective on 1 January 2013 *(Continued)*

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 12 disclosures are provided in Note 20. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements and these are included in Note 37. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

Notes to the Financial Statements

31 DECEMBER 2013

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective on 1 January 2013 *(Continued)*

HKAS 19 (2011) – Employee Benefits

HKAS 19 (2011) distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". The revised standard provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs.

The Group has amended its accounting policies for short-term employee benefits and termination benefits, however the adoption of the revised standard has no effect on the Group's financial position or performance.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Impairment of Assets[1]
HKFRS 9	Financial Instruments
HK (IFRIC) 21	Levies[1]

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

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Notes to the Financial Statements

31 DECEMBER 2013

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39 "Financial Instruments: Recognition and Measurement", except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HK (IFRIC) 21 – Levies

HK (IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs in the period of their initial application.

3. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

(b) Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Notes to the Financial Statements

31 DECEMBER 2013

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

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

When the Group loses control of a subsidiary, the profit or loss on disposal 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 interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represents present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Notes to the Financial Statements

31 DECEMBER 2013

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries *(Continued)*

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

– The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;

– Substantive potential voting rights held by the Company and other parties who hold voting rights;

– Other contractual arrangements; and

– Historic patterns in voting attendance.

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

(c) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy in Note 4(p). In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Notes to the Financial Statements

31 DECEMBER 2013

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment *(Continued)*

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Leasehold land and buildings	Over the lease terms
Leasehold improvements	Over the remaining term of the lease but not exceeding 4 years
Computer equipment	20% – 33%
Plant and machinery	10%
Furniture, fixtures and office equipment	20% – 33%
Motor vehicles	20%

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's recoverable amount.

Notes to the Financial Statements

31 DECEMBER 2013

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment *(Continued)*

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

(d) Land use rights

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

(e) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment under cost model;
– land use rights under operating leases; and
– interests in subsidiaries (except for those classified as held for sale (see Note 4(q)).

Notes to the Financial Statements

31 DECEMBER 2013

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Impairment of assets *(Continued)*

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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(f) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost, including an appropriate portion of overhead expenses, is assigned to inventories by the method most appropriate to the particular class of inventory, is calculated using weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs that are directly attributable to the acquisition of the financial assets, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value. The Group's financial assets are subsequently accounted for as follows, depending on their classification:

(i) Loans and receivables

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

(ii) Available-for-sale investments

These assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Financial assets *(Continued)*

(iii) Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

(iv) Impairment loss of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are 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 investment have been impacted.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

– significant financial difficulty of the debtor;

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

– granting concession to a debtor because of debtor's financial difficulty;

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

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Financial assets *(Continued)*

(iv) Impairment loss of financial assets (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which has been determined had no impairment loss been recognised in prior years.

– For available-for-sale equity investments carried at fair value, where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(g) Financial assets *(Continued)*

(iv) Impairment loss of financial assets (Continued)

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(vi) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Financial liabilities and equity instrument issued by the Group

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

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

(iii) Compound instruments

Convertible bonds that contain liability and equity components

The component parts of compound instruments, comprising convertible bonds issued by the Group, are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Issue costs were apportioned between the liability and equity components of the compound instruments based on their relative carrying amounts at the date of issue. The portion relating to the equity component was charged directly to equity.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Financial liabilities and equity instrument issued by the Group (Continued)

(iii) Compound instruments (Continued)

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

(iv) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(vi) 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 through the expected life of the financial liability, or where appropriate, a shorter period.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(j) Operating leases

The Group as lessee

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

(k) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(k) Provisions *(Continued)*

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(l) Income taxes

Income taxes for the year comprise current tax and deferred tax.

(i) Current tax

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 and deferred tax assets are generally recognised for all deductible temporary differences 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.

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

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4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Income taxes *(Continued)*

(ii) Deferred tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary 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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of 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 reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Income tax is recognised in profit or loss except when it relates to items recognised in other comprehensive income in which case the income tax is recognised in other comprehensive income.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchanges rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Exchange differences on non-monetary items carried at fair value in respect of which gains or losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, all assets and liabilities of foreign operations are translated into Hong Kong dollars, the presentation currency of the Group, at the applicable rates of exchange ruling at the end of reporting period while income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting translation differences are recognised in other comprehensive income and accumulated in the exchange translation reserve. Exchange differences recognised in profit or loss of group entities' individual financial statements on translation of long-term monetary items forming part of the Group's net investment in foreign operations are reclassified to other comprehensive income and accumulated in equity as exchange translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at the end of reporting period. Exchange differences arising are recognised in the exchange translation reserve.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Employees' benefits

(i) Short term benefits

Salaries, annual bonuses, paid annual leaves and the cost of non-monetary benefits (other than termination benefits) are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

The employees of the Group's entities which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(p) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing cost capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Non-current assets held for sale and disposal group

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of were included in profit or loss up to the date of disposal.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Related parties

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

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

(ii) has significant influence over the Group; or

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

(b) An entity is related to the Group if any of the following conditions apply:

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

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

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Related parties *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances and excludes value added tax or other sales related taxes.

(i) Revenue from sale of products is recognised when the Group has delivered the products to the customer and the customer has accepted the products and collectability of the related receivable is reasonably assured.

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

(t) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Carrying value of non-current assets and impairment of assets

Non-current assets, including property, plant and equipment and land use rights, are carried at cost less accumulated depreciation and amortisation, where appropriate, and impairment losses. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position. Details of the impairment in property, plant and equipment are set out in Note 17 to the financial statements. In addition, the Company also assessed the impairment on its investment costs in subsidiaries and amounts due from subsidiaries, details of which are set out in Note 20 to the financial statements.

(b) Impairment of available-for-sale investments

The directors review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

Notes to the Financial Statements

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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(c) Impairment of trade and other receivables

The Group's management determines impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of trade and other receivables at the end of each reporting period.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassesses these estimations at the end of each reporting period to ensure inventories are shown at the lower of cost and net realisable value.

(e) Income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. In addition, the realisation of the future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and carry-forward income tax losses. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on earnings.

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6. TURNOVER

Turnover, which is also revenue, represents the sales value of goods supplied to customers. An analysis of the Group's turnover is as follows:

	2013	2012
	HK$'000	HK$'000
Sale of PE pipes	**29,939**	39,181
Sale of composite materials	**–**	11
	29,939	39,192

7. SEGMENT REPORTING

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

(a) Reportable segments

The Group has two reportable segments, being manufacture and sale of PE pipes and trading of composite materials. The segments are managed separately as each business offers different products and requires different business strategies.

The Group did not have any sale of composite materials for the year ended 31 December 2013 or related assets and liabilities as at that date. Sale of composite materials and the related assets and liabilities were not significant for the year ended 31 December 2012 or as at that date. Accordingly, no separate segment business information is presented.

(b) Geographical information

All operating assets and operations of the Group during the years ended 31 December 2013 and 2012 were located in the PRC.

Notes to the Financial Statements

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7. SEGMENT REPORTING (Continued)

(c) Information about major customers

For the year ended 31 December 2013, revenue from five customers in the manufacture and sale of PE pipes segment amounted to HK$3,713,000, HK$3,508,000, HK$3,318,000, HK$3,318,000 and HK$3,242,000 respectively. Each of them had contributed to more than 10% of the Group's total revenue.

For the year ended 31 December 2012, revenue from two customers in the manufacture and sale of PE pipes segment amounted to HK$8,544,000 and HK$7,701,000 respectively. Each of them had contributed to more than 10% of the Group's total revenue.

8. OTHER INCOME AND GAINS AND LOSSES

	2013	2012
	HK$'000	HK$'000
Investment income from unlisted investment funds	**493**	165
Gain on disposal of investments held for trading	**475**	5,570
Sundry income	**88**	954
Bank interest income	**35**	49
Write off of property, plant and equipment	**(94)**	(165)
Fair value loss on investments held for trading	**(18)**	(70)
Loss on disposal of property, plant and equipment	**–**	(9)
	979	6,494

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9. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest expenses on other borrowing	**17**	45

10. LOSS BEFORE INCOME TAX

	2013 HK$'000	2012 HK$'000
Loss before income tax is arrived at after charging:		
Cost of inventories sold	**38,178**	41,010
Write down of inventories (Note 22)	**2,626**	3,126
Write off of inventories	**644**	–
Auditors' remuneration	**880**	780
Minimum lease payments under operating lease charges in respect of land and buildings	**2,031**	942
Depreciation (Note)	**13,737**	13,266

Note: Depreciation charge included an amount of HK$8,857,000 (2012: HK$8,523,000) recognised as cost of inventories sold for the year.

11. INCOME TAX

Income tax in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2013 and 2012 represented under provision of income tax in respect of prior years.

No provision has been made for Hong Kong profits tax as the Group has no assessable profit arising from Hong Kong during the current and prior years. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

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11. INCOME TAX (Continued)

In accordance with the PRC Enterprise Income Tax Law approved by the National People's Congress on 16 March 2007 and became effective from 1 January 2008, the Group's subsidiaries in the PRC are subject to enterprise income tax ("EIT") at the unified EIT rate of 25%. No provision for EIT has been made as the subsidiaries sustained losses during the current and prior years.

Income tax for the year can be reconciled to accounting loss, at applicable tax rates:

	2013 **HK$'000**	2012 HK$'000
Loss before income tax	**(44,545)**	(76,236)
Income tax credit calculated at the statutory PRC EIT tax rate of 25% (2012: 25%)	**(11,136)**	(19,059)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**808**	339
Tax effect of expenses not deductible for taxation purposes	**5,244**	15,809
Tax effect of non-taxable items	**(57)**	(2,354)
Tax effect of temporary differences not recognised	**15**	(118)
Tax effect on unused tax losses not recognised	**5,126**	5,468
Under provision in respect of prior years	**33**	314
Others	**–**	(85)
Income tax for the year	**33**	314

11. INCOME TAX (Continued)

As at 31 December 2013, the Group had unused tax losses arising in Hong Kong of HK$1,733,000 (2012: HK$1,733,000) and the PRC of HK$66,552,000 (2012: HK$66,532,000) which are available for offset against future taxable profits of the group companies in which the losses arose for an indefinite period and for a period of five years respectively. Deferred tax assets have not been recognised in respect of these losses as they have arisen in group companies that have been loss-making for some years.

12. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2013 includes a loss of HK$5,662,000 (2012: HK$5,375,000) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2013 (2012: Nil).

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 482,881,000 (2012: 482,881,000 as restated) in issue during the year.

The basic and diluted loss per share are calculated as follows:

	2013	2012
	HK$'000	HK$'000
Loss:		
Loss for the purposes of basic and diluted loss per share	**44,578**	76,550

14. LOSS PER SHARE (Continued)

	2013	2012
	'000	'000
		(Restated)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**482,881**	482,881

The weighted average number of ordinary shares for the purpose of calculation of loss per share has been adjusted retrospectively for the share consolidation of the Company on 5 July 2013 as detailed in Note 29 to the financial statements.

Diluted loss per share for the years ended 31 December 2013 and 2012 are same as the basic loss per share as there were no dilutive potential ordinary shares in issue in both years.

15. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

	2013	2012
	HK$'000	HK$'000
Salaries and allowances	**9,719**	8,581
Retirement benefit scheme contributions	**414**	624
	10,133	9,205

Staff salaries of HK$1,741,000 (2012: HK$1,659,000) were included in cost of inventories sold for the year.

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16. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and equity-settled share option benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
2013				
Executive directors:				
Ms. Ma Zheng	–	1,200	25	1,225
Mr. Wong Pui Yiu	–	724	15	739
	–	1,924	40	1,964
Independent non-executive directors:				
Mr. Wan Tze Fan Terence	182	–	–	182
Mr. Chung Chin Keung	182	–	–	182
Mr. Wang Xiao Bing	182	–	–	182
	546	–	–	546

16. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Executive directors and non-executive directors *(Continued)*

	Fees HK$'000	Salaries, allowances and equity-settled share option benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
2012				
Executive directors:				
Ms. Ma Zheng	–	1,199	18	1,217
Mr. Wong Pui Yiu	–	721	14	735
Mr. Liu Weichang (Note (i))	–	514	13	527
	–	2,434	45	2,479
Independent non-executive directors:				
Mr. Wan Tze Fan Terence	182	–	–	182
Mr. Chung Chin Keung	182	–	–	182
Mr. Wang Xiao Bing	156	–	–	156
Mr. Liu Weichang (Note (i))	26	–	–	26
	546	–	–	546

Notes:

(i) Mr. Liu Weichang was re-designated from an independent non-executive director to an executive director on 1 March 2012 and resigned on 31 December 2012.

(ii) During the current and prior years, no emolument was paid by the Group to any directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any remuneration during the current and prior years.

16. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five highest paid individuals during the year included two (2012: three) directors, details of whose remuneration are set out in Note 16(a) above. Details of the remuneration of the remaining three (2012: two) non-director, highest paid individuals for the year are as follows:

	2013	2012
	HK$'000	HK$'000
Basic salaries, share options and other benefits	**1,547**	1,098
Discretionary bonuses	**177**	177
Retirement benefit scheme contributions	**30**	28
	1,754	1,303

Their emoluments fell within the following band:

	Number of individuals	
	2013	2012
Nil – HK$1,000,000	**3**	2

The emoluments paid or payable to members of senior management other than directors was within the following band:

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

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17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold land and buildings HK$'000 (Note)	Leasehold improvements HK$'000	Computer equipment HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 January 2012	104,536	376	1,949	84,260	112	5,085	62	196,380
Additions	3,303	844	330	1,948	–	1,068	2,040	9,533
Disposals	–	–	–	–	–	(260)	–	(260)
Write off	(1,383)	–	(498)	–	–	(1,540)	–	(3,421)
Reclassification	2,102	–	–	–	–	–	(2,102)	–
Exchange realignment	1,012	–	14	816	–	49	–	1,891
At 31 December 2012 and 1 January 2013	109,570	1,220	1,795	87,024	112	4,402	–	204,123
Additions	–	–	601	351	2	650	–	1,604
Write off	–	–	(696)	–	(1)	(63)	–	(760)
Exchange realignment	3,255	25	38	2,591	–	108	–	6,017
At 31 December 2013	112,825	1,245	1,738	89,966	113	5,097	–	210,984
Accumulated depreciation and impairment								
At 1 January 2012	14,765	376	1,707	16,233	111	4,194	–	37,386
Depreciation	4,891	80	139	7,813	1	342	–	13,266
Impairment loss	17,125	–	–	14,850	–	–	–	31,975
Disposals	–	–	–	–	–	(234)	–	(234)
Write off	–	–	(487)	–	–	(1,386)	–	(1,873)
Exchange realignment	143	–	12	157	–	41	–	353
At 31 December 2012 and 1 January 2013	36,924	456	1,371	39,053	112	2,957	–	80,873
Depreciation	4,982	285	121	8,062	1	286	–	13,737
Write off	–	–	(615)	–	(1)	(50)	–	(666)
Exchange realignment	813	7	20	844	–	87	–	1,771
At 31 December 2013	42,719	748	897	47,959	112	3,280	–	95,715
Net book value								
At 31 December 2013	70,106	497	841	42,007	1	1,817	–	115,269
At 31 December 2012	72,646	764	424	47,971	–	1,445	–	123,250

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Note: Since the land lease prepayment cannot be allocated reliably between the land and building elements at the inception of the lease, the entire lease prepayment is included in the cost of land and buildings as a finance lease in property, plant and equipment. The leasehold land and buildings of the Group are located in the PRC and held under a medium term lease.

18. LAND USE RIGHTS

The Group's interest in land use rights represents prepaid operating lease payments and movements in the year are analysed as follows:

	2013	2012
	HK$'000	HK$'000
Outside Hong Kong, held on medium-term lease	**32,513**	32,339
Opening carrying amount	**32,339**	32,785
Amortisation	**(775)**	(764)
Exchange difference	**949**	318
Closing carrying amount	**32,513**	32,339
Less: Current portion included in other receivables, deposits and prepayments	**(787)**	(764)
Non-current portion	**31,726**	31,575

The Group's leasehold land is located in the PRC and held under a lease term of 50 years commencing on 28 February 2005.

19. ASSETS AND LIABILITIES UNDER DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As disclosed in the 2010, 2011 and 2012 financial statements, on 27 October 2010, independent shareholders of the Company had approved the deed of settlement dated 17 September 2010 executed by the Company, the joint and several liquidators (the "Liquidator") of Lehman Brothers Commercial Corporation Asia Limited ("Lehman Brothers" or the "Bondholder") and Lehman Brothers in relation to the redemption of the 4.5% convertible bonds (the "Convertible Bonds") in the principal amount of HK$246,250,000 issued by the Company to Lehman Brothers in October 2007 (the "Original Deed of Settlement").

Details of the terms of the Original Deed of Settlement are set out in the Company's circular dated 11 October 2010. The Company paid HK$85 million in aggregate to Lehman Brothers under the terms of the Original Deed of Settlement as partial consideration of the redemption of the Convertible Bonds, which amount was included in other receivables, deposits and prepayments as at 31 December 2013 and 2012 (Note 24). The remaining consideration under the Original Deed of Settlement is represented by the transfer of the 100% of the issued share capital of Zhong Ping Resources Holdings Limited ("Zhong Ping") or all of the assets held directly or indirectly by Zhong Ping (the "Sale Interest") to Lehman Brothers or a party so directed by Lehman Brothers.

Pursuant to the Original Deed of Settlement, completion of the Original Deed of Settlement is conditional upon the fulfillment of certain conditions on or before 31 October 2011 or such later date as may be agreed between the Company and Lehman Brothers (the "Long Stop Date"). In order to allow more time for the transfer of the Sale Interest to Lehman Brothers, the Company, Lehman Brothers and the Liquidator mutually agreed to extend the Long Stop Date several times. Except for the extension of the Long Stop Date, all other terms and conditions of the Original Deed of Settlement remain unchanged and shall continue in full force and effect.

The Sale Interest included Zhong Ping's 70% interest in ARIA LLC ("ARIA"), a company incorporated in Mongolia with limited liability. ARIA in turn is the holder of the mining license with an expiry date of 10 August 2035 in the green field mining exploration project, the Mungun-Undur Polymetallic Project (the "Project") located in Mungun-Undur, Khentii Province, Mongolia. The Project has prospects for silver, lead, zinc and tin mineralization. Other than holding the 70% equity interest of ARIA, Zhong Ping is inactive and has little assets or liabilities of its own.

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19. ASSETS AND LIABILITIES UNDER DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Continued)

Following the approval of the Original Deed of Settlement on 27 October 2010, the Group had effectively discontinued and ceased its mining activities. Zhong Ping and ARIA have remained inactive, received no income and incurred no expenses since that date. The Group also reclassified the assets and liabilities of Zhong Ping and ARIA as held for sale in the consolidated statement of financial position as at 31 December 2013 and 2012 as set out below:

	2013	2012
	HK$'000	HK$'000
Mining rights	**207,519**	207,519
Cash and cash equivalents	**1**	1
Other receivables	**92**	92
Assets related to the mining business classified as held for sale	**207,612**	207,612
Other payables	**255**	255
Deferred tax liabilities	**29,255**	29,255
Liabilities of the mining business associated with assets classified as held for sale	**29,510**	29,510
Net assets of the mining business classified as held for sale	**178,102**	178,102

As disclosed in the Company's circular dated 12 March 2014, the Bondholder had elected to receive a transfer of the 70% equity interest in ARIA. The registration of the ARIA transfer could not be completed without a new joint venture agreement between a new shareholder and the non- controlling interest having been agreed, signed and registered with the Legal Entity Registration Office of Mongolia. Due to the prolonged commercial negotiation between the Bondholder and the non-controlling interests, it was unpredictable as to when a new joint venture agreement could be agreed and signed.

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19. ASSETS AND LIABILITIES UNDER DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Continued)

On 15 January 2014, the Company, Lehman Brothers and the Liquidator entered into a supplemental deed for the redemption of the Convertible Bonds (the "Supplemental Deed"), pursuant to which the Bondholder agreed to accept the transfer of a 100% equity interest in Zhong Ping and revoke it election to receive the 70% equity interest in ARIA. Under such amendment, the transfer of the 100% equity interest in Zhong Ping can be effected without the approval and consent required for the transfer of the 70% equity interest in Mongolia as Zhong Ping is a BVI company and is wholly-owned by the Company.

Under the terms of the Supplemental Deed, the Company shall pay Lehman Brothers (i) a non-refundable deposit in the sum of HK$6 million; (ii) an amount in Hong Kong dollar that is equal to RMB24,000,000 (equivalent to approximately HK$31 million); and (iii) transfer the 100% equity interest in Zhong Ping to Lehman Brothers. The Company paid Lehman Brothers the above mentioned non-refundable deposit in the sum of HK$6 million on 15 January 2014 according to the Supplemental Deed.

The Supplemental Deed is subject to, among other things, the fulfillment or wavier of the conditions set out in the paragraph headed "Amendments of the Conditions of the redemption of the Bonds" in the Company's circular dated 12 March 2014, including the passing of an ordinary resolution to approval, ratify and confirm the Supplemental Deed by shareholders of the Company at the extraordinary general meeting of the Company to be held on 28 March 2014.

20. INTERESTS IN SUBSIDIARIES

	The Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**470,749**	470,749
Amounts due from subsidiaries (a)	**1,069,104**	1,073,837
	1,539,853	1,544,586
Less: Provision for impairment (b)	**(999,656)**	(970,308)
	540,197	574,278
Amounts due to subsidiaries (c)	**(157,718)**	(157,756)

(a) The balance includes an amount of HK$5,000,000 (2012: HK$5,000,000) which bears interest at the prime rate of The Hongkong and Shanghai Banking Corporation Limited plus 1% per annum, repayable within one year (2012: two years). The balance was fully provided for as at 31 December 2013 and 2012. The rest of the amounts are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, these amounts in substance represent the Company's investments in the subsidiaries in the form of quasi equity loans.

(b) Accumulated impairment provision of HK$999,656,000 (2012: HK$970,308,000) was recognised as at 31 December 2013 because the related recoverable amounts of the investment costs and amounts due from subsidiaries with reference to the net assets or net deficit of the respective subsidiaries were estimated to be less than their respective carrying amounts. Accordingly, the carrying amounts of the related investment costs in subsidiaries and amounts due from them are reduced to their respective recoverable amounts.

(c) The amounts due to subsidiaries classified as current liabilities are unsecured, interest free and repayable on demand.

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2013 were as follows:

Name of company	Country of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiary	
e-gameasia.com Ltd	BVI/Hong Kong	10,279,450 ordinary shares of HK$1 each	100%	100%	–	Investment holding
Billybala Software (BVI) Limited	BVI/Hong Kong	1 ordinary share of US$0.01 each	100%	100%	–	Investment holding
Yichang Fuliangjiang Joint Composite Limited (Note (i) & (iii))	PRC	HK$122,380,000	100%	–	100%	Production of PE pipes and trading of composite materials
China Primary Energy Holdings Limited (formerly known as Shoukong Group Limited)	BVI/Hong Kong	20,000,000 ordinary shares of US$1 each	100%	100%	–	Investment holding
China Primary Energy (Shenzhen) Limited (formerly known as Yichang Shoukong Industries Co., Ltd) (Note (i) & (iii))	PRC	HK$250,000,000	100%	–	100%	Investment holding
Yaoqixin Technology (Shenzhen) Co., Ltd (Note (i) & (iii))	PRC	HK$1,000,000	100%	–	100%	Provision of administrative services to group companies
Billybala iGame Limited	Hong Kong	7 ordinary shares of HK$1 each	100%	–	100%	Provision of administrative services to group companies
Zhong Ping Resources Holdings Limited (Note (ii))	BVI/Hong Kong	75,000,000 ordinary shares of HK$1 each	100%	100%	–	Investment holding
ARIA LLC (Note (ii))	Mongolia	1,330,000 ordinary shares of US$1 each	70%	–	70%	Mining resources development

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20. INTERESTS IN SUBSIDIARIES (Continued)

Notes:

(i) Each subsidiary is registered as a wholly-foreign-owned enterprise under the PRC law.

(ii) As detailed in Note 19, the Group had discontinued and ceased its mining operations associated with its investments in these two subsidiaries during the year ended 31 December 2010.

(iii) The English names of the subsidiaries represent the best effort by the Company's management to translate from their Chinese names as the subsidiaries have no official English names.

(iv) None of the subsidiaries had issued any debts securities at the end of the year.

In the opinion of the directors, the above subsidiaries principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

21. AVAILABLE-FOR-SALE INVESTMENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed outside Hong Kong (a)	**5,460**	4,680	**5,460**	4,680
Unlisted outside Hong Kong (b)	**4,611**	31,718	**–**	–
	10,071	36,398	**5,460**	4,680

21. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

(a) This investment offers the Group the opportunity for return through dividend income and capital gains. The Group acquired approximately a 1% equity interest in the investee through share subscription in 2011. The Group intends to hold this investment for long term purpose.

The investee succeeded to have its shares listed in the OTC Bulletin Board (the "OTC market") in the United States on 7 August 2012 and is able to trade its shares over the counter. However, there was no transaction of the investee's shares in the OTC market since August 2012 to end of December 2012. As there was no quoted market price in an active market, the fair value of the investment could not be reliably measured as at 31 December 2012. The Group engaged Greater China Appraisal Limited ("Greater China"), an independent firm of professional valuers with relevant professional qualification and experiences, to determine the fair value of the investment. Greater China determined the fair value of the investment to be approximately HK$4,680,000 as at 31 December 2012 by using the guideline transaction method.

The Group also engaged Greater China to determine the fair value of the investment as at 31 December 2013. Trading of shares of the investee was resumed in October 2013 to the extent that Greater China considered there is now an active market in the investee's shares. Accordingly, Greater China determined the fair value of the investment to be approximately HK$5,460,000 as at 31 December 2013 by using the market approach.

(b) As at 31 December 2013, the investment represented capital contribution of RMB3,600,000 (equivalent to approximately HK$4,611,000) to a newly established company in the PRC with a registered capital of RMB20,000,000. The Group held an 18% equity interest in this investee which will engage in environmental protection equipment research, water supply and drainage and sewage treatment. The investee is still in the set up stage and has not yet started to provide services. The directors considered that its fair value could not be reliably measured and stated the investment at cost less any impairment.

As at 31 December 2012, the investment represented unlisted investment funds managed by banks in the PRC. The unlisted investment funds did not have quoted market price and the directors considered that their fair values could not be reliably measured and stated these investments at cost less any impairment. The Group disposed of all the investment funds during the year ended 31 December 2013.

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22. INVENTORIES

	The Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	**10,693**	18,742
Work in progress	**139**	143
Finished goods	**8,989**	16,262
	19,821	35,147

During the year, the Group made a further provision of HK$2,626,000 (2012: HK$3,126,000) to reduce the cost of finished goods to their net realisable value. The provision was recognised as cost of sales for the year (Note 10).

23. TRADE RECEIVABLES

	The Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables	**61,655**	53,951
Less: Provision for impairment	**(27,835)**	(23,060)
	33,820	30,891

(a) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month and can be extended to three months or more for major customers. The Group sets a maximum credit limit for each customer. The Group seeks to maintain strict control over its outstanding receivables. The sales department together with management of the manufacturing division perform the credit control function to minimise credit risk. Overdue balances are reviewed regularly by senior management.

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23. TRADE RECEIVABLES (Continued)

(b) The table below reconciled the provision for impairment loss of trade receivables for the year:

	The Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**23,060**	3,293
Impairment loss recognised	**4,027**	23,060
Bad debts written off	**–**	(3,293)
Exchange realignment	**748**	–
At 31 December	**27,835**	23,060

At 31 December 2013, the Group's trade receivables of HK$27,835,000 (2012: HK$23,060,000) were individually determined to be impaired. These receivables have been long outstanding and management assessed them to be irrecoverable. The Group does not hold any collateral over these balances.

(c) An aging analysis of the trade receivables (net of impairment loss) as at the end of reporting period, based on the invoice dates, is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within 30 days	**7,260**	4,823
31 – 60 days	**2,193**	1,744
61 – 90 days	**1,263**	2,564
Over 90 days	**23,104**	21,760
	33,820	30,891

Notes to the Financial Statements

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23. TRADE RECEIVABLES (Continued)

(d) An aging analysis of trade receivables (net of impairment loss) that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Not past due	**12,506**	9,066
Less than 31 days past due	**100**	2,179
31 – 60 days past due	**1,048**	1,176
61 – 90 days past due	**2,512**	708
Over 90 days but less than 1 year past due	**9,893**	16,161
Over 1 year but less than 2 years past due	**7,761**	1,601
	21,314	21,825
	33,820	30,891

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other receivables and deposits	**104,375**	88,544	**85,000**	85,000
Prepayments	**17,639**	30,408	**223**	209
	122,014	118,952	**85,223**	85,209
Less: Provision for impairment loss on prepayments	**(11,006)**	(10,688)	**–**	–
	111,008	108,264	**85,223**	85,209

The balance as at 31 December 2013 mainly included payments to suppliers of HK$3,596,000 (2012: HK$13,233,000), net of provision for impairment loss of HK$11,006,000 (2012: HK$10,688,000), for future purchases of inventories in anticipation to increase in prices of composite materials, payments of HK$85,000,000 in aggregate (2012: HK$85,000,000) to Lehman Brothers as partial consideration for the redemption of the Convertible Bonds and various recoverable temporary payments and deposits.

The below table reconciled the provision for impairment loss of other receivables, deposits and prepayments for the year:

	The Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**10,688**	18,294
Reversal of provision for impairment loss	**–**	(7,783)
Exchange realignment	**318**	177
At 31 December	**11,006**	10,688

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25. INVESTMENTS HELD FOR TRADING

	The Group	
	2013	2012
	HK$'000	HK$'000
Listed equity securities held at fair value		
– in Hong Kong	**704**	1,538
– outside Hong Kong	**–**	403
	704	1,941

26. CASH AND CASH EQUIVALENTS

At the end of reporting period, cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$18,506,000 (2012: HK$6,189,000). The RMB is not freely convertible into other currencies. However, under the PRC'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.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate their fair values.

27. TRADE PAYABLES

An aging analysis of trade payables, based on the invoice dates, is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within 30 days	**382**	970
31 – 60 days	**389**	66
61 – 90 days	**6**	211
Over 90 days	**8,878**	8,523
	9,655	9,770

28. CONVERTIBLE BONDS

The Group's and the Company's outstanding convertible bonds as at 31 December 2013 and 2012 represented the 4.5% convertible bonds issued to Lehman Brothers on 31 October 2007 at a principal amount of HK$246,250,000 (the "Bonds"). The Bonds matured on 31 October 2010 and no conversion had taken place since the Bonds were issued.

Coupon interest of 4.5% per annum was payable semi-annually in arrears and accrued up to 31 October 2010. The effective interest of the Bonds was determined at 9.11% per annum using the effective interest method. The carrying value of the Bonds as at 31 December 2013 equalled the principal amount of HK$246,250,000 (2012: HK$246,250,000).

In 2008, Lehman Brothers was put into liquidation, the process of which is still in progress as of the date of approval of these financial statements. As set out in Note 19, the Company and Lehman Brothers are in the process of completing the redemption of the Bonds.

The fair value of the liability component of the Bonds was calculated using the prevailing market interest rate for a similar non-convertible instrument. The residual amount, representing the value of the equity conversion component, was included in equity.

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29. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.0125 each		
at 1 January 2012 and 31 December 2012	9,600,000	120,000
Share consolidation (Note)	(7,680,000)	–
Ordinary shares of HK$0.0625 each		
at 31 December 2013	1,920,000	120,000
Issued and fully paid:		
Ordinary shares of HK$0.0125 each		
at 1 January 2012 and 31 December 2012	2,414,405	30,180
Share consolidation (Note)	(1,931,524)	–
Ordinary shares of HK$0.0625 each		
at 31 December 2013	482,881	30,180

Note: On 4 July 2013, an extraordinary general meeting of the Company was held and approved the consolidation of every five existing issued and unissued ordinary shares of the Company of HK$0.0125 each into one ordinary share of HK$0.0625 each in the issued and unissued share capital of the Company. Following the share consolidation, the authorised share capital of the Company comprised of 482,881,000 issued ordinary shares and 1,437,119,000 unissued ordinary shares of HK$0.0625 each.

30. SHARE OPTION SCHEME

The Group maintained a share option scheme for employee compensation. All share-based employee compensation was settled in equity. The Group had no legal or constructive obligations to repurchase or settle the options.

On 8 May 2012, a share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who would contribute to the success of the Group's operations. Under the terms of the Share Option Scheme, the Board may, at its discretion, grant options to any full-time employee and any director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may fall to be issued upon exercise of all of the outstanding options granted and yet to be exercised under the Share Option Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. The Share Option Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional.

The definition of eligible person in the Share Option Scheme include any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders.

30. SHARE OPTION SCHEME (Continued)

Where options are proposed to be granted to a connected person who is also a substantial shareholder or an independent non-executive director or their respective associates and if such grant would result in the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, then the proposed grant must be subject to the approval of shareholders of the Company taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting.

The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day, (ii) the average of the closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares on the date of grant. Any options granted under the Share Option Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Share Option Scheme). A nominal value of HK$1.00 is payable on acceptance of each grant of options.

No share options were granted by the Company and no share options were exercised or lapsed under the Share Option Scheme during the years ended 31 December 2013 and 31 December 2012. At the end of reporting period and the date of approval of these financial statements, the Company had no share options outstanding under the Share Option Scheme.

31. RESERVES OF THE COMPANY

	Share premium account HK$'000 (Note)	Convertible bonds reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
Balance at 1 January 2012	430,677	17,922	–	(160,029)	288,570
Loss for the year	–	–	–	(69,775)	(69,775)
Other comprehensive income	–	–	784	–	784
Total comprehensive income for the year	–	–	784	(69,775)	(68,991)
Balance at 31 December 2012 and at 1 January 2013	430,677	17,922	784	(229,804)	219,579
Loss for the year	–	–	–	(34,711)	(34,711)
Other comprehensive income	–	–	780	–	780
Total comprehensive income for the year	–	–	780	(34,711)	(33,931)
Balance at 31 December 2013	**430,677**	**17,922**	**1,564**	**(264,515)**	**185,648**

Note:

The share premium account of the Company includes: (i) the premium arising from issues of shares of the Company at a premium less share issue expenses; and (ii) the excess of the then combined net assets of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Law (Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

32. OPERATING LEASE ARRANGEMENTS

The Group

The Group is the lessee in respect of certain of its office premises held under operating leases. The leases typically run for an initial period of one to three years at fixed rental. None of the leases includes contingent rentals.

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

	2013	2012
	HK$'000	HK$'000
Within one year	**1,582**	932
After one year but within five years	**3,725**	2,373
More than 5 years	**3,521**	–
	8,828	3,305

The Company

The Company did not have any significant operating lease commitments at the end of both reporting periods.

33. CONTINGENT LIABILITIES

Environmental contingencies

The Group has not incurred any significant expenditure for environmental remediation so far. It is currently not involved in any environmental remediation and has not accrued any amount for environmental remediation relating to its operations. Under the existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The Group expects it will be able to complete the disposal of its 100% equity interest in Zhong Ping very soon (Note 19). Therefore, no provision was made as at 31 December 2013 and 31 December 2012.

34. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed below. Except for those disclosed elsewhere in the financial statements, the Group had no other significant related party transactions during the years ended 31 December 2013 and 2012.

Members of key management during the year comprised only of the directors whose remuneration is set out in Note 16(a) to the financial statements.

35. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which excludes the convertible bonds disclosed in Note 28 for the reason stated in Note 19, cash and cash equivalents disclosed in Note 26 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 5% to 10% determined as the proportion of net debts to total equity as defined above.

36. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and price risk.

These risks are limited by the Group's financial management policies and practices described below.

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk

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

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group did not have a significant concentration of credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and other receivables, deposits and prepayments are set out in Notes 23 and 24 respectively.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

All the Group's and the Company's financial liabilities at the end of reporting period are due within one year or on demand.

(c) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

36. *FINANCIAL RISK MANAGEMENT (Continued)*

(c) Interest rate risk *(Continued)*

The following table details the interest rate profile of the Group at the end of reporting period.

	2013		2012	
	Effective interest rate		Effective interest rate	
	%	**HK$'000**	%	HK$'000
Variable rate				
Bank balances	**0.170%**	**20,700**	0.725%	6,706

It is estimated that as at 31 December 2013, a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, would decrease/increase the Group's loss after income tax and accumulated losses by HK$207,000 (2012: HK$67,000).

(d) Currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in the respective functional currencies of the group entities.

(e) Price risk – Commodity price risk

The Group is exposed to equity price changes arising from equity instruments classified as trading securities and available-for-sale equity securities.

The petroleum market is influenced by global as well as regional supply and demand conditions. Changes in prices of petroleum products could significantly affect the prices of raw materials of the Group and its financial performance. The Group historically has not used any commodity derivative instruments to hedge the potential price fluctuations of its products and does not have a fixed policy to do so in the foreseeable future.

The Group's listed investments are listed on the Stock Exchange of Hong Kong and NASDAQ. Decisions to buy and sell trading securities are based on the performance of individual securities compared to that of the Index and other industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

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36. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Price risk – Commodity price risk *(Continued)*

The sensitivity analysis on equity price risk includes the Group's financial instruments, the fair value or future cash flows of which will fluctuate because of changes in their corresponding or underlying asset's equity price. If the prices of the respective equity instruments had been 10% higher/lower, loss for the year would decrease/increase by HK$70,000 (2012: HK$72,000) and other component of equity would decrease/increase by HK$546,000 (2012: HK$468,000).

(f) Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts as at 31 December 2013 and 2012.

(g) Fair values estimation

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2013 and 2012 may be categorised as follows:

	2013	2012
	HK$'000	HK$'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**159,129**	126,546
Fair value through profit or loss		
– Held for trading	**704**	1,941
Available-for-sale investments, at cost	**4,611**	31,718
Available-for-sale investments, at fair value	**5,460**	4,680
Financial liabilities		
Financial liabilities measured at amortised cost	**273,066**	267,971

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

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

– the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

– the fair value of other financial assets are determined with reference to observable current market transactions and other relevant inputs derived from quoted prices of the underlying investments.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

	The Group			
	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets				
Investments held for trading				
– Listed	**704**	**–**	**–**	**704**
Available-for-sale investments	**5,460**	**–**	**–**	**5,460**

	The Group			
	2012			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Investments held for trading				
– Listed	1,941	–	–	1,941
Available-for-sale investments	–	4,680	–	4,680

In 2013, the Group transferred the available-for-sale investments carried at fair value by Level 2 of fair value hierarchy into Level 1. As detailed in Note 21(a), trading of the investee's shares resumed in October 2013 to the extent the professional firm of valuers engaged by the Company considered there is now an active market in the investee's shares to enable the fair value of the said shares as at 31 December 2013 to be determined by the market approach. The Group's policy is to recognise transfers between levels of fair value hierarchy as at end of the reporting period in which they occur.

38. EVENTS AFTER THE REPORTING DATE

As mentioned in Note 19 above, on 15 January 2014, the Company, the Bondholder and the Liquidator entered into a Supplemental Deed to effect for the redemption of the Convertible Bonds. On the same date, the Company entered into a loan agreement with an independent third party (the "Lender"), pursuant to which the Lender agreed to grant a loan facility of up to HK$38 million to the Company to finance the payment stipulated under the Supplement Deed. Details of the above transactions are set out in the circular of the Company dated 12 March 2014 in respect of the Supplemental Deed to the Original Deed of Settlement in relation to the redemption of the Convertible Bonds.

Financial Summary

(Expressed in Hong Kong dollars)

The following is a summary of the consolidated results and assets and liabilities of the Group, prepared for the last five years, as extracted from the audited consolidated financial statements of the Group. This summary does not form part of the audited financial statements.

Results

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
Turnover	**29,939**	39,192	89,699	157,651	38,712
Other income and gains and losses	**979**	6,494	198	159	539
Operating expenses	**(75,446)**	(121,877)	(139,991)	(170,216)	(58,583)
Operating loss	**(44,528)**	(76,191)	(50,094)	(12,406)	(19,332)
Finance costs	**(17)**	(45)	(900)	(22,416)	(20,144)
Loss before income tax	**(44,545)**	(76,236)	(50,994)	(34,822)	(39,476)
Income tax (charge)/credit	**(33)**	(314)	–	821	817
Loss for the year from continuing operations	**(44,578)**	(76,550)	(50,994)	(34,001)	(38,659)
Discontinued operations					
Loss for the year from discontinued operations	**–**	–	–	(24,761)	(827,546)
Loss for the year	**(44,578)**	(76,550)	(50,994)	(58,762)	(866,205)
Loss attributable to:					
Owners of the Company	**(44,578)**	(76,550)	(50,994)	(57,170)	(864,145)
Non-controlling interests	**–**	–	–	(1,592)	(2,060)
	(44,578)	(76,550)	(50,994)	(58,762)	(866,205)

Assets and Liabilities

	31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**550,965**	582,189	656,670	761,976	886,049
Total liabilities	**(302,982)**	(298,485)	(300,493)	(371,964)	(477,866)
	247,983	283,704	356,177	390,012	408,183