DAIDO

Stock Code 股份代號：00544

大同集團有限公司
DAIDO GROUP LIMITED

年報 Annual Report 2012

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Au Tat Wai *(Chief Executive Officer)*
Mr. Choy Kai Sing
Mr. Chung Siu Wah
Mr. Ho Hon Chung, Ivan
Mr. Tang Tsz Man, Philip

Non-Executive Director

Mr. Fung Wa Ko

Independent Non-Executive Directors

Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

COMMITTEES

Audit Committee

Mr. Leung Chi Hung *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Tse Yuen Ming

Remuneration Committee

Mr. Fung Siu Kit, Ronny *(Chairman)*
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

Nomination Committee

Mr. Tse Yuen Ming *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung

COMPANY SECRETARY

Mr. Choy Kai Sing

STOCK CODE

00544

WEBSITE

www.irasia.com/listco/hk/daido/index.htm
www.daidohk.com

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit No. 1906, 19th Floor
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Chief Executive Officer's Statement

On behalf of the Board of Directors/Management, I am pleased to present the annual results of the Group for the financial year ended 31st December, 2012.

The lingering euro zone sovereign debt crisis and the worries about the U.S. falling down from a fiscal cliff brought volatility to the global economy and financial markets in 2012, posing great challenges to businesses including those of the Group.

The dull performance of the European economy, the lackluster recovery in the U.S. economy and the slowdown in the Hong Kong economy led to unfavourable operating environment for businesses in 2012.

Against these economic headwinds, the Management's flexible operational strategy once again provided a cushion for the Group's operations. The Group's cold storage and related services operation managed to sustain a stable performance during the 2012 financial year, thanks in part to the Management's decision to convert some chillers into bonded warehouses which recorded more satisfactory results than chillers during the period. This operational flexibility had been in play in 2009 when the Management decided to convert some non-freezer compartments into freezer compartments in response to changes in market demand.

The Group's diversification into the KTV business in the PRC is in line with this business strategy. While the KTV business is still in the development phase and has yet to contribute positively to the Group's operating results. The Management will further focus on and devote resources to those KTV outlets which in commercial operation. The Group hopes there will be break even as soon as possible and resulting in operation profit in the future. Meanwhile, the Management will continue to review the operations and will unremittingly consider more practicable decision to improve this business segment.

The Management also expects the performance of the Group's hotel resort complex operation in Macau to continue to improve as the tourism industry there maintains a boom. Furthermore, the continuous and rapid development of Taipa into an entertainment hub is likely to bring appreciation potential to the property value of the Group's investments.

Keeping in mind the objective of creating value for shareholders, the Management will continue to explore new business opportunities while improving the Group's existing businesses.

On behalf of the Board of Directors/Management, I would like to express my sincere gratitude to all of our clients and shareholders for their continued support. I would also like to thank our staff for their dedication and contribution.

AU TAT WAI
Chief Executive Officer

Hong Kong,
28th March, 2013

Management Discussion and Analysis

OVERALL RESULTS

For the financial year ended 31st December, 2012, total revenue of the Group amounted to approximately HK$215 million, up approximately 24% when compared to approximately HK$173 million in the previous financial year.

Net loss for the year attributable to owners of the Company was approximately HK$180 million, compared with a net loss of approximately HK$81 million in the previous year. The increase in net loss was mainly attributable to (i) the continuous operating loss of the KTV business in the PRC; and (ii) the increase in the Group's general operating cost in an inflationary environment. Revenue derived from the Group's cold storage and related services operation remains stable for the year. Loss per share was HK10.47 cents.

The Group is principally engaged in the operations of cold storage and related services, investment holdings, as well as the operation of karaoke outlets and related services in the PRC.

BUSINESS REVIEW

Cold storage and related services

During the financial year of 2012, the Group's business, the cold storage and related services operation, maintained a stable performance with the Group's proper management and flexible strategies, Hong Kong's robust inbound tourism offsetting global and local economic volatility.

During the past year, the lingering Euro zone sovereign debt crisis and the U.S. fiscal cliff concerns brought high volatility to the global market, taking a toll on Hong Kong's economy.

The gross domestic product ("GDP") growth of Hong Kong slowed down significantly to a preliminary 1.4% in 2012 from a 6.8% in 2010 and a revised 4.9% in 2011, according to data from the Census and Statistics Department ("C&SD").

Coupled with rising inflationary pressure, the economic and market volatilities heightened recessionary concerns and significantly impacted consumers' confidence during the year.

Consumer confidence in Hong Kong fell four index points to 85 in the fourth quarter of 2012, according to the latest survey of consumer confidence and spending intentions by Nielsen, a leading global provider of information. The leadership changes in China and Hong Kong also contributed to consumers' cautiousness. The latest reading of 85 on the Hong Kong consumer confidence index is far below the global average of 91, and has declined significantly from its recent high of 104 recorded in the second quarter of 2012.

Amid such less favourable macro-environment, the Group's flexible management and operational strategies provided a cushion. In response to changes in market demand, the Group converted some of its chillers into bonded warehouse facility in the previous year, which are used to store cigarettes, liquor and other dutiable goods. Bonded warehouses generated more satisfactory results during the 2012 financial year, compared with those of the chillers, benefiting the general performance of the cold storage and related services operation.

Meanwhile, the strong showing of Hong Kong's inbound tourism provided a big boost to the local catering industry, bolstering demand for cold storage services.

Visitor arrivals totaled approximately 48.6 million in Hong Kong in 2012, an increase of 16% compared with the total in 2011. Out of the total arrivals, 48.9% or 23.77 million belonged to overnight visitors, 6.5% more than that in 2011, according to statistics of the Hong Kong Tourism Board ("HKTB").

During the year, the Group's cold storages achieved a higher stock turnover rate as some of our clients increased their inventory.

Over all, the Group was able to maintain a stable occupancy rate for its cold storage facility and capture a stable market share in the local cold storage market, thanks also to its quality services in terms of effective temperature & humidity controls, an efficient computerized data processing system, strong logistics support and customer services.

However, rising inflationary pressure weighed on the Group's operating cost, offsetting the increase in the cold storage rental fees the Group implemented at the beginning of 2012. As a result, operating profitability saw just a little change compared with the previous year.

The Group's logistics services business also maintained stable performance during the year. The logistics services operation mainly serves our cold storage customers. This added-value service helped the Group retains its cold storage customers and boost the overall profit margins of the cold storage and related services operation.

The Group produces industrial ice bars for construction use. The industrial ice bars business steadily growing during the 2012 financial year and is expected continuously as construction works are still in progress on several large-scale public infrastructure projects in Hong Kong such as the Hong Kong-Zhuhai-Macao Bridge, the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Kai Tak Development project, the South Island Line and the Shatin to Central Link.

The real estate boom in Hong Kong, driven by soaring property prices, is also likely to generate continuous demand for industrial ice bars.

Karaoke outlets and related services ("KTV")

The Group has diversified its businesses into KTV operation in the PRC by setting up joint ventures since 2010, targeting the huge business potential brought by ever growing leisure and cultural consumption along with rising household incomes and the general education level in the PRC.

Recently, the Group has started commercial operation at its outlets in Shanghai and in Beijing. Due to cultural and regulatory differences between the mainland and Hong Kong, the Group has encountered various problems in its mainland KTV operation in terms of license application, project renovation, procurement, etc.

Being in the development phase, this new business segment recorded an operating loss during the 2012 financial year.

The Group is committed to building up the brand image of its KTV operation by putting more efforts on marketing, and increasing business volume by improving sales technique. Meanwhile, some business restructuring will be implemented to tackle the various problems encountered.

The Management is not in a hurry to open more KTV outlets in the immediate future. Rather, it will focus on and devote resources to those KTV outlets that are already in commercial operation.

Investment (Hotel and resort in operation in Macau)

The business performance of the Group's hotel resort complex operation in Macau saw favourable improvement during the financial year of 2012, with the rising of room occupancy rate, thanks to Macau's booming tourism industry, particularly the ever growing visitors from the PRC.

The overall number of visitor arrivals in Macau amounted to approximately 28.1 million in 2012, a year-on-year increase of 0.3% over the previous year, with mainland Chinese visitors accounting for the biggest share, according to statistics of the Macau Government Tourist Office ("MGTO").

The number of visitors from the PRC, who are one of the major client groups of the Group's hotel, rose 4.6% year-on-year to 16.9 million in 2012, accounting for 60.2% of Macau's total number of visitors during the year.

Located on the Taipa Island, the Group's hotel resort complex operation is particularly in a favourable position to benefit from increased tourists brought by the opening of more tourist spots and mega entertainment hubs in the vicinity such as Galaxy Entertainment Group's Galaxy Macau and Sands China's Sands Cotai Central.

The staging of more and more large-scale exhibitions, concerts and other events on the Taipa Island has also brought more tourists to the area, boding well for the occupancy rate of the Group's hotel.

PLEDGE OF ASSETS

As at 31st December, 2012, banking facilities to the extent of HK$3.5 million (2011: HK$3.5 million) of the Group were secured by the pledge of bank deposits amounting to HK$3.5 million (2011: HK$3.5 million). The amount utilised at 31st December, 2012 was approximately HK$3.5 million (2011: approximately HK$3.2 million).

As at 31st December, 2012, bank deposits of approximately HK$75 million (2011: approximately HK$75 million) were pledged to a bank which provides bank guarantees in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2012, the Group had cash and bank balances of approximately HK$55 million (2011: approximately HK$90 million). The decrease was mainly due to the operation of KTV outlets. The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 17% as at 31st December, 2012 (2011: approximately 12%). The increase was mainly due to the decrease of equity attributable to owners of the Company.

Monetary assets and liabilities of the Group are principally denominated in Hong Kong dollars. The directors consider the Group's exposure to exchange rate risks to be low. The Group may have relatively high exposure to exchange rate risk when more KTV outlets operate in the PRC. As the Renminbi to Hong Kong dollar exchange rates is not accelerated significantly during the year, the directors will review the exchange rate risks faced by the Group periodically. During the year under review, the Group's capital expenditure was financed by internal cash generation and new shares issues.

SHARE CAPITAL STRUCTURE

As at 31st December, 2011, the total issued share capital of the Company was HK$14,394,200 divided into 1,439,420,000 ordinary shares with a par value of HK$0.01 each.

On 19th April, 2012, the Company entered into a share placing agreement for the placement of 287,884,000 new shares at HK$0.108 each. The share placing arrangement was completed on 30th April, 2012. The net proceeds of approximately HK$30.8 million are used for general working capital of the Group.

For further details, please refer to the announcements of the Company dated 19th April, 2012 and 30th April, 2012.

On 21st September, 2012, the Company entered into a share placing agreement for the placement of 345,000,000 new shares at HK$0.125 each. On 24th September, 2012, the Company entered into a supplemental placing agreement, under which the placing price has been amended to HK$0.135 per share. The share placing arrangement was completed on 3rd October, 2012. The net proceeds of approximately HK$46.1 million are used for general working capital of the Group.

For further details, please refer to the announcements of the Company dated 21st September, 2012, 24th September, 2012 and 3rd October, 2012.

As a result of the share placing arrangements, the total issued share capital of the Company was HK$20,723,040 divided into 2,072,304,000 ordinary shares with a par value of HK$0.01 each as at 31st December, 2012.

Management Discussion and Analysis

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2012, the total number of full time employees of the Group in Hong Kong and the PRC were approximately 270 and 570 respectively (31st December, 2011: approximately 270 Hong Kong employees; 340 PRC employees). Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund, staff quarter and professional tuition/training subside for employees' benefit.

PROSPECTS

The prospects of the Group's businesses are getting brighter as the macro conditions of the global economy, particularly those of the U.S., Europe and China, gradually improve.

There are signs that the global economy is slowly moving out of the soft patch in 2012, when the global economy slowed down due to the spillovers of the euro zone sovereign-debt crisis, according European Union's ("EU") European Economic Forecast (Winter 2013) published in January 2013.

The latest readings of survey indicators suggest that both the EU economy and the euro zone economy are bottoming out at the beginning of this year, according to the EU report.

The GDP in the EU is forecast to remain broadly unchanged in 2013. In 2014, both the EU and the euro zone are forecast to grow by around 1.5%, versus a contraction of 0.3% and 0.6% in 2012, respectively, according to the EU report.

Meanwhile, the recovery in the U.S. economy, the world's largest, is expected to pick up in the next couple of years after the Federal Reserve implemented several rounds of monetary quantitative easing (QE) in the past few years.

In September 2012, top officials at the Federal Reserve upgraded their 2013 growth forecast for the U.S. economy to 2.5–3% from the 2.2–2.8% estimated in June 2012; their estimate for 2014 was also raised to 3–3.8% from the 3–3.5% in the previous forecast. These forecasts suggest a significant acceleration in the momentum of U.S' economic recovery, considering the fact that the U.S. GDP grew merely by a revised 0.1% in the fourth quarter of 2012.

While the Management is generally optimistic about the prospects for the Group's operations, it sees some challenges ahead, particularly the rising inflationary pressure, which weighs on the Group's operating cost.

Hong Kong's headline consumer price index ("CPI") inched up 0.3% in January 2013 after climbing up 1.2% in December 2012, according to data from the C&SD.

The average salary of employees in Hong Kong continued to rise, climbing 6.6% and 6.3% in nominal terms in the second and third quarter of 2012, according to data from the C&SD.

Cold storage and related services

Along with the improving situation in the key developed economies of the world, the economic growth in Hong Kong is on track to accelerate in the coming year, boding well for the prospects for the Group's cold storage and related services.

Hong Kong's economic growth is expected to accelerate to 1.5–3.5% in 2013 from the 1.4% expansion in 2012, according to official forecast.

The business performance of the Group's cold storage and related services is expected to remain stable in the coming year as demand for cold stage services remains steady and is likely to grow further when consumer confidence rebounds amid a persistently low unemployment rate.

Management Discussion and Analysis

The unemployment in Hong Kong remained at a record low of 3.4% in the three-month period ending January 2013, versus an estimated 3.3% for 2012, according to statistics of the C&SD.

The outlook for industrial ice bars also remains positive as construction works on several large-scale public infrastructure projects are in progress, and are likely to last several years. In his 2013–14 budget speech delivered in February 2013, Hong Kong's Financial Secretary John Tsang Chun Wah said the Hong Kong government had earmarked HK$70 billion for capital works expenditure for the next fiscal year ending March 2014.

Construction of residential and commercial projects are also expected to accelerate in Hong Kong after the Hong Kong government sped up land sales in the past few years in response to soaring property prices in the city amid strong demand from home buyers and investors.

Challenges ahead, the Group is faced with the problem of insufficient cold storage capacity, thanks for the increase of clients' trade volume. The Group will strive to maximize the use of its cold storage to provide more storage capacity by improving the warehouse management system and being more selective in choosing customers. The Management will focus on customers with high stock turnover rates.

Besides, the Management will continue to add value to the Group's services to customers of its cold storage business in terms of technological innovation, and will shift its operational direction in response to new developments and changes in the market, for example, converting more chillers to bonded warehouse when appropriate.

KTV

The Group's new business segment, the KTV operation in the PRC, is still in the development phase and has yet to contribute positively to the Group's operating results. But the Management foresees challenging for this business, need to strengthen the marketing ability and streamlining the cost structure of the business.

The GDP of China grew 7.8% in 2012 over the previous year, according to data from the National Bureau of Statistics of China ("NBS").

The Chinese economy will keep growing steadily in 2013 despite some economic challenges at home and abroad, the Chinese Academy of Sciences ("CAS") said in a forecast released in January 2013. The CAS has forecast a bullish 8.4% expansion in the Chinese GDP for 2013, though the Chinese government has set a much conservative growth target of 7.5%.

China's fixed-asset investment in the cultural, sport and leisure industry totalled RMB 378 billion in the first 11 months of 2012, an increase of 35.2% from the same period of 2011, according to statistics of the NBS.

While striving to grow the KTV operation, the Management is committed to put more efforts into improving this business segment. Specifically, the Management will implement some operational restructuring in its KTV operation after reviewing the various problems encountered during commercial operation, hoping to enable this new business segment to break even as soon as possible and make profit in future.

According to the above, although there are many variation, problem and challenge have found when growing the KTV operation. The Management is still highly cautions about the operations and will reinforcing more efforts to solve the problem. The Management will continue to review the operations and will unremittingly consider more practicable decision to improve this business segment.

Investment (Hotel and resort in operation in Macau)

With the continuous boom in the inbound tourism of Macau, the only Chinese city that allows legal gambling, the Management remains optimistic about the future for the Group's hotel resort complex operation in the city.

The redevelopment and expansion of the Taipa Ferry Terminal, which will link with the Macau International Airport, is likely to bring more visitors to this area in the future, given the more convenient transportation. The construction of Taipa's permanent ferry terminal is on track to complete by mid-year.

The Management believes that with more mega entertainment centers opening in Taipa, the area is rapidly developing into a new hub of recreation and leisure, which is likely to attract more visitors to this area, benefiting nearby businesses including the Group's Grand Waldo Hotel.

Furthermore, as more and more entertainment centers are expected to open in Taipa, land prices in Taipa are likely to rise further in the future, bringing potential for appreciation in the land value of the Group's investment.

There are concerns that Macau's tourism and gaming industry will face increasing challenges from Singapore and Taiwan, which are also eagerly developing their only inbound tourism. But the Management believes that Macau's tourism won't be significantly affected whatever as Macau's advantage of geographical vicinity to China will never disappear.

Outlook

Regarding to the mentioned challenges as above, the Management will continue its efforts to solve various problems encountered of the businesses as above to meet the challenges at the future. Furthermore, the Management will strive to enhance the operational efficiency of the Group's operations to minimize the increase in operating costs in order to improve its profit margins.

In its pursuit of sustainable business growth, the Management will continue to providently explore potential investment opportunities while prudently operates the Group's existing businesses.

Directors of the Company

MR. AU TAT WAI, aged 40, has been an executive director and the Chief Executive Officer of the Company, since September 2009. He has also served as a director of certain subsidiaries of the Company. Mr. Au has over 8 years experience in information technology and e-commerce businesses, as well as in resort sector project development. He has, among ongoing efforts, promoted long term Chinese interests abroad - - acting as a key liaison, bringing together in partnership Western and Chinese interests. Such efforts have led to the announcement of a $2bn construction/loan agreement between the Abu Dhabi sovereign wealth fund Aabar Investments, ICBC and China State Construction Engineering Corporation, as well as the announcement of the formation of a consortium $3bn rail/roadway project in Armenia, between Dubai Investment bank Rasia and China Communication Construction Company, among others. Mr. Au has led international investment and partnership investments in Indonesia, Malaysia, and throughout Mainland China. Mr. Au graduated from Lakehead University, Ontario, Canada with a Bachelor of Business Administration and subsequently received his Master of Business Administration from The Hong Kong University of Science and Technology.

MR. CHOY KAI SING, aged 49, joined the Group in June 1998. Mr. Choy is currently the Chief Financial Officer and the Company Secretary of the Company and has also served as a director of certain subsidiaries of the Company. He was appointed as an executive director and an authorised representative of the Company in August 2009 and September 2009 respectively. He is responsible for the finance and accounting affairs of the Group. Mr. Choy is a fellow member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants and a member of Institute of Chartered Accountants in England and Wales. He is a Certified Public Accountant and has over 20 years working experience in auditing, accounting and investment banking.

MR. CHUNG SIU WAH, aged 56, was appointed as an executive director of the Company in September 2011, and employed for advising the subsidiary of the Company's karaoke project at Mainland China since April 2011. Mr. Chung started his career in 1976 by joining the Hong Kong Government as a Customs Inspector. He obtained his law degree with honour at the University of London in 1986 and further obtained his Postgraduate Certificate of Laws at University of Hong Kong in 1987. He resigned from the Customs and Excise Department in 1987 and started his legal career. He has been a solicitor practicing in Hong Kong since 1989. He joined Messer. Tony Kan & Co. in 1987 and became a partner in 1992. He retired from the partnership in 2004 but continues to associate with the law firm as a consultant till now.

Mr. Chung has wide experience in the hotel, gaming and entertainment industry. During the years between 2001 and 2009 he had been the directors of various companies which owned and/or operated the Fort Ilocandia Hotel and Casino at Laoag, Philippines, Fontana Resort and Casino at Clark, Philippines, Waldo Hotel and Grand Waldo Hotel at Macau. His involvement in these properties covered acquisition, planning, construction, management and operation.

Mr. Chung has also experience in the management of listed company at Hong Kong. He was appointed as a director of United Power Investment Limited (now renamed as Culture Landmark Investment Limited) in 2001 and resigned in January 2008.

MR. HO HON CHUNG, IVAN, aged 58, was appointed as an executive director of the Company in November 2009 and has also served as a director of certain subsidiaries of the Company. Mr. Ho has been in the travel industry and consultancy services for over 20 years, principally in the senior managerial position.

MR. TANG TSZ MAN, PHILIP, aged 47, joined the Group as an executive director and an authorised representative of the Company in August 2003 and has also served as a director of certain subsidiaries of the Company. Mr. Tang has over 20 years of business management experience in telecommunication industry and manufacture of metal products industry.

Directors of the Company

MR. FUNG WA KO, aged 51, is currently a non-executive director of the Company. Mr. Fung joined the Group as an executive director and the Chief Executive Officer of the Company in October 2003. He was appointed as the Deputy Chairman of the Company in April 2004 and has become the Chairman and an authorised representative of the Company in August 2006. In September 2009, Mr. Fung was re-designated from an executive director to a non-executive director and resigned as the Chief Executive Officer and an authorised representative. He resigned as the Chairman of the Company in October 2011. Mr. Fung has over 20 years of experience in the area of business development, corporate management and budget control. He received his education in the United Kingdom and has worked in various management positions in Hong Kong, Mainland China, and other countries in Asia Pacific Regions.

MR. FUNG SIU KIT, RONNY, aged 69, joined the Group as an independent non-executive director of the Company in August 2009. He is also the chairman of remuneration committee and the member of audit committee and nomination committee of the Company respectively. Mr. Fung has worked for a local bank for 20 years and has over 30 years experience in banking, finance, investment and securities. Currently, he is a director of Goldfield Asia Investment Limited, a company provides gold/silver trading in Hong Kong.

MR. LEUNG CHI HUNG, aged 57, joined the Group as an independent non-executive director of the Company in September 2003. He is also the chairman of audit committee and the member of nomination committee and remuneration committee of the Company respectively. Mr. Leung has commenced his accountancy professional training since 1976 and is now members of international accountancy bodies. He is a certified public accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited. Mr. Leung is also an independent non-executive director of Finet Group Limited, a company listed on The Stock Exchange of Hong Kong Limited.

MR. TSE YUEN MING, aged 45, joined the Group as an independent non-executive director of the Company in August 2003. He is also the chairman of nomination committee and the member of audit committee and remuneration committee of the Company respectively. Mr. Tse is a partner of Messrs. Tung, Ng, Tse & Heung. He holds a bachelor of laws degree with honour from the University of Hong Kong and admitted to The Supreme Court of Hong Kong as a solicitor in 1993. Mr. Tse is also the Chairman of Professional Service Committee of The Hong Kong Chamber of Small and Medium Business, the Legal Adviser of Life Underwriters & Sales Executives Board (HK) Ltd., ECO Foundation Limited and the Junior Police Call Honorary President for Kowloon City District.

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rules 13.51B(1) and 13.51B(3) of the Listing Rules, other than those changes in directors' biographical details as set out on pages 10 to 11, as well as their emoluments as set out in note 11 to the consolidated financial statements, of this annual report, there are no other changes in directors' information.

Directors' Report

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2012 are set out in the consolidated statement of comprehensive income on page 32.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 35.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 25 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st December, 2012, the Company's reserves consisted of contributed surplus of HK$84,239,000 (2011: HK$84,239,000) and accumulated losses of HK$296,961,000 (2011: HK$70,683,000).

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the group reorganisation and the nominal amount of the Company's share capital issued as consideration for the acquisition.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Au Tat Wai *(Chief Executive Officer)*
Mr. Choy Kai Sing
Mr. Chung Siu Wah
Mr. Ho Hon Chung, Ivan
Mr. Tang Tsz Man, Philip

Non-Executive Director

Mr. Fung Wa Ko

Independent Non-Executive Directors

Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

In accordance with Bye-Law 87 of the Company's Bye-Laws, Mr. Au Tat Wai, Mr. Tang Tsz Man, Philip and Mr. Fung Siu Kit, Ronny retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company entered into letters of appointment with all directors for a period of 3 years from the date of their appointment or re-election by Shareholders, whichever is the later. Such term shall end in any event on either: (i) terminated by either party given the other not less than 3 months' notice; or (ii) the date on which the Director shall retire by rotation as required by the Bye-Laws of the Company, whichever is the earlier.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS

As at 31st December, 2012, none of the Company's directors, chief executives of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests, or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company; or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in note 26 to the consolidated financial statements.

No share option was outstanding as at 1st January, 2012 and 31st December, 2012 and no share option was granted under the share option scheme during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the above-mentioned share option scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

At 31st December, 2012, to the best knowledge of the directors or chief executives of the Company, the following parties (other than the directors or chief executives of the Company), had interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are as follows:

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

Name of shareholder	Capacity	No. of shares held	No. of underlying shares held	Percentage of total issued share capital
Ever Achieve Enterprises Limited *(Note 1)*	Beneficial owner	202,323,133	–	9.76%
Yuen Kin Wing *(Note 1)*	Interest of controlled corporation	202,323,133	–	9.76%
Bingo Chance Limited *(Note 2)*	Beneficial owner	140,000,000	–	6.76%
Elite Plan Investments Limited *(Note 2)*	Interest of controlled corporation	140,000,000	–	6.76%
Wulglar Wai Wan *(Note 2)*	Interest of controlled corporation	140,000,000	–	6.76%

Notes:

1. The entire issued share capital of Ever Achieve Enterprises Limited is beneficially owned as to 50% by Mr. Yuen Kin Wing, as to 25% by Mr. Chung Chiu Pui and as to 25% by Ms. Foo Hang Luen, Monita.

2. Ms. Wulglar Wai Wan is an elder sister of Mr. Ho Hon Chung, Ivan, whom is an executive director of the Company. She is the sole ultimate beneficial owner of Elite Plan Investments Limited ("Elite") and Bingo Chance Limited, a wholly-owned subsidiary of Elite. She is deemed to be interested in 140,000,000 shares which are held by Bingo Chance Limited under the SFO.

Save as disclosed above, as at 31st December, 2012, the directors or chief executives of the Company are not aware of any other person (other than a director or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No other contract of significance to which the Company or any of 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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2012, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 41% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 16% of the Group's total turnover.

For the year ended 31st December, 2012, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 40% of the Group's total purchases and the purchase attributable to the Group's largest supplier accounted for approximately 19% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

EMOLUMENT POLICY

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

The emoluments of the directors of the Company are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 17 to 29.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2012.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Au Tat Wai
Executive Director

Hong Kong,
28th March, 2013

Corporate Governance Report

The board of directors (the "Board") believes that corporate governance is essential to the success of the Company and will bring long-term benefits to the Shareholders. For this reason, the Company is always committed to upholding high standards of corporate governance and has adopted a set of sound governance principles, practices and procedures, including the Internal Control Action Plan introduced in 2006 in order to systematically review the work procedures in different departments. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices to the former Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Former CG Code") from 1st January, 2012 to 31st March, 2012 and has complied with all the code provisions as set out in Corporate Governance Code and Corporate Governance Report to the existing Appendix 14 of the Listing Rules (the "CG Code") from 1st April, 2012 to 31st December, 2012 except the deviations in paragraphs headed "Appointment, Re-election and Removal", "Chairman and Chief Executive" and "Shareholders' Rights and Investor Relations".

Following sustained development of the Company, the Board and senior management will continue to monitor the corporate governance practices of the Company to ensure that daily business activities and decision making processes are regulated in a proper and prudent manner.

CORPORATE GOVERNANCE STRUCTURE

The Board is charged with the duty to put in place a proper corporate governance structure of the Company. It is primarily responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. Under the Board, there are currently 3 sub-committees, namely Audit Committee, Remuneration Committee and Nomination Committee. All these committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management.

BOARD OF DIRECTORS

Board Composition

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

Executive Directors
Mr. Au Tat Wai *(Chief Executive Officer)*
Mr. Choy Kai Sing
Mr. Chung Siu Wah
Mr. Ho Hon Chung, Ivan
Mr. Tang Tsz Man, Philip

Non-executive Director
Mr. Fung Wa Ko

Independent Non-executive Directors
Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

The biographical details of all Directors and the relationships among them are set out in the "Directors of the Company" on pages 10 to 11 of this annual report.

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship between the Directors and in particular, between the Chairman and the Chief Executive.

BOARD OF DIRECTORS (continued)

Independent Non-executive Directors

Pursuant to Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed 3 Independent Non-executive Directors, representing one-third of the Board, of whom Mr. Leung Chi Hung is a certified public accountant (Practising) in Hong Kong. He has commenced his accountancy professional training since 1976 and now is the members of international accountancy bodies.

The Independent Non-executive Directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. They are also the members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company. Thus, the Board considers the current board size as adequate for its present operations.

The Company has received from each of its Independent Non-executive Directors the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers Mr. Fung Siu Kit, Ronny, Mr. Leung Chi Hung and Mr. Tse Yuen Ming are independent.

Role and Functions of the Board

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

The Board delegates the authority and responsibility for implementing day-to-day operations and management of the Group to Executive Directors and senior management, and certain specific responsibilities to the Board committees. The Board reserves certain key matters for its approval including the Group's long-term strategy, internal control, annual and half-yearly financial results and shareholder communications, etc. Decisions of the Board are communicated to the management through Executive Directors who have attended at board meetings.

When the Board delegates certain aspects of its management functions to the management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances. The final decision still rests with the Board unless otherwise provide for in the terms of reference of relevant committees.

Board Meetings and Board Practices

The Board meets at least 4 times regularly a year to review the financial and operating performance of the Group. Throughout the year, 1 general meeting and 14 board meetings were held, in which 4 are regular board meetings. Details of the Directors' attendance are as follows:

	Attendance in general meeting	Attendance in board meetings
Executive Directors		
Mr. Au Tat Wai *(Chief Executive Officer)*	1/1	14/14
Mr. Choy Kai Sing	1/1	14/14
Mr. Chung Siu Wah	0/1	11/14
Mr. Ho Hon Chung, Ivan	1/1	13/14
Mr. Tang Tsz Man, Philip	0/1	9/14
Non-executive Director		
Mr. Fung Wa Ko	1/1	11/14
Independent Non-executive Directors		
Mr. Fung Siu Kit, Ronny	1/1	12/14
Mr. Leung Chi Hung	0/1	12/14
Mr. Tse Yuen Ming	1/1	12/14

BOARD OF DIRECTORS (continued)

Board Meetings and Board Practices (continued)

Apart from the regular board meetings of the year, the Board had met on other occasions when a board level decision on a particular matter is required. Notice of at least 14 days has been given to all Directors for all regular board meetings and all the Directors can include matter for discussion in the agenda whenever they consider appropriate and necessary. The Directors will receive details of agenda items for decision at least 3 days before the meeting and minutes of the meeting will be received by those Directors within reasonable time after the meeting.

In addition, to facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information. Where queries are raised by Directors, the management is responsible to respond as promptly and fully as possible. The Directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in performing their duties to the Company. All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making and that board procedures are being followed. The Company Secretary is also responsible for ensuring the procedures of the board meetings are observed and providing the Board opinions on matters in relation to the compliance with the procedures of the board meetings. Moreover, the Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all board meetings. The minutes are open for inspection at any reasonable time on reasonable notice by any Director.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board, a board meeting will be held to deal with such matter and the Independent Non-executive Director who or whose associates, have no material interest in the matter will attend the meeting to deal with the matter if it is considered appropriate. Any Director who or whose associates have any material interest in any proposed Board resolutions will not be counted as a quorum in the relevant board meeting or will be regarded as no vote for the board resolutions.

Continuing Professional Development

The Company Secretary is responsible to update the Board on governance and regulatory matters.

Introduction tailored kit will be given to newly appointed director to his individual needs. This includes introduction to Group activities, induction into their responsibilities and duties, and other regulatory requirements. The Board is regularly updated with management's strategic plans, lines of business, financial objectives, plans and actions.

The Company will arrange and/or introduce some Director's training courses for them to develop and explore their knowledge and skills.

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

BOARD OF DIRECTORS (continued)

Continuing Professional Development (continued)

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the Directors' training. During the year ended 31st December, 2012, all the Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

Directors	Topics on training covered *(Note)*
Executive Directors:	
Mr. Au Tat Wai *(Chief Executive Officer)*	(c), (d)
Mr. Choy Kai Sing	(a), (b)
Mr. Chung Siu Wah	(a)
Mr. Ho Hon Chung, Ivan	(c)
Mr. Tang Tsz Man, Philip	(a), (b)
Non-executive Director:	
Mr. Fung Wa Ko	(a), (b)
Independent Non-executive Directors:	
Mr. Fung Siu Kit, Ronny	(c)
Mr. Leung Chi Hung	(a), (b)
Mr. Tse Yuen Ming	(a), (b), (c)

Note:

(a) corporate governance

(b) regulatory

(c) managerial

(d) industry-specific

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities of the Directors that may arise out the corporate activities, which has been complied with the CG Code. The insurance coverage is reviewed on an annual basis.

Appointment, Re-election and Removal

During the period from 1st January, 2012 to 27th March, 2012, there were no service contract entered into between each of the Executive Directors and the Company. In order to comply with the code provisions D.1.4 of the CG Code, the Company has entered into letters of appointment with all the Executive Directors, namely Mr. Au Tat Wai, Mr. Choy Kai Sing, Mr. Chung Siu Wah, Mr. Ho Hon Chung, Ivan and Mr. Tang Tsz Man, Philip on 28th March, 2012 respectively.

According to the code provision A.4.1 of both the Former CG Code and the CG Code, non-executive director should be appointed for a specific term of service. While there was no service contract entered into between the Non-executive Director, Mr. Fung Wa Ko, and the Company for a specific term of service during the period from 1st January, 2012 to 27th March, 2012, and in order to comply such code provision, the Company has entered into a letter of appointment with Mr. Fung Wa Ko on 28th March, 2012.

BOARD OF DIRECTORS (continued)

Appointment, Re-election and Removal (continued)

During the year ended 31st December, 2012, each of Independent Non-executive Director has entered into a letter of appointment, so as to comply with code provision A.4.1 of both the Former CG Code and the CG Code.

The current letters of appointment of all Directors are for an initial term of 3 years from the date of their appointment or re-election by Shareholders, whichever is the later. Such term shall end in any event on either: (i) termination by either party given the other not less than 3 months' notice; or (ii) the date on which the Director shall retire by rotation as required by the Bye-Laws of the Company, whichever is the earlier. The appointment of each Director is subject to retirement by rotation and re-election as required by the Bye-Laws of the Company.

According to the Bye-Laws of the Company, any director so appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every 3 years, so as to comply with code provision A.4.2 of the CG Code.

Chairman and Chief Executive

According to the Former CG Code and the CG Code requirement, the Chairman and Chief Executive of the Company should perform separate functions to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman has executive responsibilities and provides leadership to the Board in terms of establishing policies and business directions. The Chairman ensures that the Board works effectively and performs its responsibilities, and all key and appropriate issues are discussed by the Board in a timely manner.

Upon the resignation of Mr. Fung Wa Ko as the Chairman on 14th October, 2011, there have been no Chairman in the Company. During the year ended 31st December, 2012, Mr. Au Tat Wai and Mr. Choy Kai Sing acted as the Chief Executive Officer and Chief Financial Officer of the Company respectively. Mr. Au Tat Wai is responsible for all day-to-day corporate management matters and Mr. Choy Kai Sing is responsible for corporate financial matters. Since there is no Chairman in the Company during the year ended 31st December, 2012, there was no meeting held between the Chairman and the Non-executive Directors (including Independent Non-executive Directors) without the Executive Director present.

The Board does not have the intention to fill the position of Chairman at present and believes that the absence of a Chairman will not have adverse effect to the Company, as decisions of the Company will be made collectively by the Executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of Chairman. Appointment will be made to fill the post to comply with code provision A.2.1 and A.2.7 of the CG Code if necessary.

COMMITTEES OF THE BOARD

Nomination Committee

The Nomination Committee was established on 30th June, 2005 with adoption of its terms of reference on 12th July, 2005. In order to comply with the CG Code, the terms of reference of the Nomination Committee were amended and approved on 28th March, 2012. They include making recommendations for all appointment and re-appointment of Directors to the Board and are available on the websites of the Stock Exchange and the Company. The Nomination Committee currently comprises 3 members, all of whom are Independent Non-executive Directors and its members are:

Mr. Tse Yuen Ming *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung

COMMITTEES OF THE BOARD (continued)

Nomination Committee (continued)

The Nomination Committee has established a formal and transparent process for the Company in the appointment of new Directors and re-nomination and re-election of Directors at regular intervals. It is also responsible for assessing the independence of each Independent Non-executive Director and conducting formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. In evaluating the Board's composition, the Nomination Committee considers a number of factors, including those set out in the CG Code.

In accordance with the Company's Bye-Laws, one-third of the Directors will retire from office at the Company's annual general meeting. In accordance with bye-law 87 of the Company's Bye-Laws, Mr. Au Tat Wai, Mr. Tang Tsz Man, Philip and Mr. Fung Siu Kit, Ronny will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

Mr. Tse Yuen Ming ("Mr. Tse") and Mr. Leung Chi Hung ("Mr. Leung") were appointed to be Independent Non-executive Directors on 6th August, 2003 and 4th September, 2003 respectively. Therefore, Mr. Tse and Mr. Leung have accordingly served the Company for more than 9 years after 6th August, 2012 and 4th September, 2012 respectively. In order to comply with the code provision A.4.3 of the CG Code, separate resolutions have been passed by the Shareholders to approve the further appointments of Mr. Tse and Mr. Leung in the annual general meeting held on 21st May, 2012.

During the year ended 31st December, 2012, the Nomination Committee has reviewed the structure, size and composition of the Board, including the balance of skills, knowledge and experience and independence of the Independent Non-executive Directors and made recommendation to the Board accordingly. In addition, the Nomination Committee has also discussed the corporate governance practices related to the structure of the Board.

Remuneration Committee

The Remuneration Committee was established on 30th June, 2005 with adoption of its terms of reference on 12th July, 2005. In order to comply with the CG code, the terms of reference of the Remuneration Committee were amended and approved on 28th March, 2012. The latest terms of reference are available on the websites of the Stock Exchange and the Company.

The Remuneration Committee currently comprises 3 Independent Non-executive Directors and its members are:

Mr. Fung Siu Kit, Ronny *(Chairman)*
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

The Remuneration Committee performed the responsibility of making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, including benefits-in-kind, pension rights, and compensation payments, and advising the Board on the remuneration of the Independent Non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and senior management, the Remuneration Committee takes into account of the corporate goals and objectives of the Group as well as the performance of those individual Directors and senior management.

COMMITTEES OF THE BOARD (continued)

Remuneration Committee (continued)

Remuneration package for Executive Directors:

1. The remuneration for the Executive Directors comprises basic salary, annual bonus, other benefits and retirement benefits scheme.

2. Salaries are reviewed annually. Salary increases are made where the Remuneration Committee believes that adjustments are appropriate to reflect performance, contribution, increased responsibilities and/or by reference to market/sector trends.

3. In addition to basic salary, Executive Directors and employees of the Company and its subsidiaries are eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances.

4. In order to attract, retain and motivate executives and key employees of the Group, the Company has adopted a share option scheme on 9th January, 2006 (the "Share Option Scheme"). Such incentive scheme enables the eligible persons to obtain an ownership interest in the Company and thus will motivate them to optimise their contributions to the Group.

Details of the amount of Directors' emoluments during the financial year ended 31st December, 2012 are set out in note 11 to the consolidated financial statements and details of the Share Option Schemes are set out in the Directors' Report and note 26 to the consolidated financial statements.

During the year ended 31st December, 2012, the significant matters discussed by the Remuneration Committee are summarised as follows:

- Review and approve the current remuneration policy of the Group; and

- Review the remuneration package of the board members and senior management of the Group and make recommendation to the Board.

Audit Committee

The Audit Committee was established on 12th January, 2000 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with the requirements of the CG Code, the latest terms of reference of the Audit Committee were adopted on 28th March, 2012 and are available on the website of the Stock Exchange and the Company.

The Audit Committee currently comprises 3 Independent Non-executive Directors and its members are:

Mr. Leung Chi Hung *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Tse Yuen Ming

The primary duties of the Audit Committee are to review, supervise and ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

COMMITTEES OF THE BOARD (continued)

Audit Committee (continued)

During the year ended 31st December, 2012, the Audit Committee had performed the following work:

1. reviewed the audited financial statements for the year ended 31st December, 2011 and the unaudited financial statements for 3 months ended 31st March 2012, 6 months ended 30th June, 2012 and 8 months ended 31st August, 2012;

2. reviewed the accounting principles and practices adopted by the Group;

3. reviewed the auditing and financial reporting matters;

4. reviewed the re-appointment of external auditors;

5. reviewed the daily operation work-flow of the major departments and divisions for sub-group; and

6. reviewed the effectiveness of internal control system.

Each member of the Audit Committee has unrestricted access to the Auditors and all senior management of the Group. During the year ended 31st December, 2012, the Audit Committee had met twice with the external auditors.

The Audit Committee has recommended to the Board that Deloitte Touche Tohmatsu, Certified Public Accountants ("Deloitte Touche Tohmatsu"), be nominated for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company.

At the meeting held on 26th March, 2013, the Audit Committee reviewed the internal control report, the Directors' report and audited financial statements for the year ended 31st December, 2012 together with the annual results announcement, with a recommendation to the Board for approval.

Attendance Record at Board Committee Meetings

The following table shows the attendance of the Board Committee meetings during the year:

	Number of meetings attended/ Number of meetings held		
	Nomination Committee	**Remuneration Committee**	**Audit Committee**
Mr. Fung Siu Kit, Ronny	1/1	1/1	6/6
Mr. Leung Chi Hung	1/1	1/1	6/6
Mr. Tse Yuen Ming	1/1	1/1	6/6

The Board has ensured that the Board Committees are provided sufficient resources to perform their duties.

COMMITTEES OF THE BOARD (continued)

Corporate Governance Functions

According to code provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board on 28th March, 2012. The Board shall have the following duties and responsibilities for performing the corporate governance duties of the Company:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Group's compliance with the corporate governance code as set out in the Listing Rules and disclosure in the corporate governance report in annual report of the Company.

During the year ended 31st December, 2012, the Board has held one meeting for discussing corporate governance function.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Audit Committee and the Board have reviewed the Company's audited financial statements for the year ended 31st December, 2012. The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external auditors of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 30.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a written securities dealing policy which contains a set of code of conduct regarding securities transactions by directors, the terms of which are on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Securities Dealing Policy").

Having made specific enquiry of all Directors of the Company, all Directors have confirmed that they had complied with the required standard set out in the Securities Dealing Policy during the year under review.

To enhance the corporate governance of the Group as a whole, all relevant employees who are likely to be in possession of unpublished price sensitive information in relation to the Group or securities of the Company are subject to full compliance with the Securities Dealing Policy. No incident of non-compliance was noted by the Company during the year under review.

EXTERNAL AUDITORS AND THEIR REMUNERATION

The Group's external auditors are Deloitte Touche Tohmatsu for the year ended 31st December, 2012 and they will hold office until the conclusion of the forthcoming annual general meeting of the Company. The annual financial statements for the year ended 31st December, 2012 have been audited by Deloitte Touche Tohmatsu.

The Audit Committee is responsible for considering the appointment of the external auditor and also reviews any non-audit functions performed by the external auditor of the Group. In particular, the Audit Committee will consider, in advance of them being contracted for and performed, whether such non-audit functions could lead to any potential material conflict of interest. The Audit Committee reviews each year a letter from the external auditors confirming their independence and objectivity and holds meetings with Deloitte Touche Tohmatsu to discuss the scope of their audit.

For the year ended 31st December, 2012, the external auditors of the Group provided the following services to the Group:

	2012 HK$'000	2011 HK$'000
Audit services	**1,400**	900
Non-audit services — review on interim results	**290**	200
— tax consultant service in the PRC	**296**	–
Total:	**1,986**	1,100

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for maintaining sound and effective internal control systems to safeguard the Company's assets and Shareholders' interest, as well as for reviewing its effectiveness of the internal control system through the Audit Committee. The Group has an effective financial reporting system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and its training programmes and budget.

The system of the internal control is designed to ensure that the financial and operational function, compliance control system, material control, asset management and risk management function are in place and functioning effectively to achieve business objective of the Group and prevent damage to the public image.

The Group has adopted a set of internal control procedures and policies for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial reporting used for business and publication, and ensuring the compliance with the relevant legislation and regulations.

The Board, through the Audit Committee, has conducted the internal control review. Since 2006, the Company has been putting a lot of effort on improvement of its internal control and risk management, an Internal Control Action Plan has been developed for facilitating the internal control of the Group.

The Internal Control Action Plan included the following stages:

In stage one, a high-level risk assessment was conducted by an external advisor to review the internal control system of the Group and was completed in 2006.

INTERNAL CONTROL AND RISK MANAGEMENT (continued)

In stage two, which was started in 2007, review was conducted on each department and which included the following steps:

1. Document the work-flow of each department of Company's major subsidiaries to review their existing internal control system;

2. Carry out walk through test for the internal control system on each department and verify the effectiveness of such control;

3. Carry out detail sample testing on the internal control system of each department and make recommendations to those weaknesses identified; and

4. Re-test the control implementation.

Apart from the Internal Control Action Plan, the Group has adopted a series of internal control measures including the strengthening of reporting lines of senior management. As a routine procedure and part of the internal control system, Executive Directors and the senior management would meet at least once a week to review the financial and operating performance of each department.

The senior management of each department is also required to keep Executive Directors informed of material developments of the department's business and implementation of the strategies and policies set by the Board on a regular basis.

During the year ended 31st December, 2012, the Group has strengthened the accounting system by optimising computerisation for reinforcing the internal audit on financial control of accounts receivable and payable and the labour costs of the new business division of the PRC.

In addition, in order to safeguard assets and enhance the accuracy and reliability of its accounting records, the subsidiaries of the Company in the PRC has arranged periodically fixed assets count, monthly stocktaking and daily cash count in operating activities during the year. Reconciliation of the differences in the figures between the physical counting results and the accounting records have been carried out followed by thorough investigation of any discrepancies. Apart from the above, there are also implemented the segregation of duties in this control.

During the year ended 31st December, 2012, the whistleblowing policy was adopted by the Audit Committee. The policy is intended to encourage and enable employees of the Company to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Company.

During the year ended 31st December, 2012, all the internal control review findings and recommendations of internal control have been reported to the Board and the Audit Committee. The Board and the Audit Committee considered that the internal control system and procedures of the Group were effective and adequate and the recommendations for improvements will be properly followed up to ensure that they are implemented within a reasonable period of time.

As an integral part of good corporate governance, the internal control system will continue to be reviewed, added on or updated to provide for changes in the operating environment.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company uses two-way communication channels to account to shareholders and investors for the performance of the Company. The Company values communication with shareholders and investors. Enquiries and suggestions from shareholders or investors are welcomed, and enquiries from shareholders may be put to the Board through the following channels to the Company Secretary:

1. By mail to the Company's head office at Unit No. 1906, 19/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong;

2. By telephone at telephone number (852) 3107 8600;

3. By fax at fax number (852) 2666 0803; or

4. By email at irelations@daidohk.com.

The annual general meeting is the principal forum for formal dialogue with shareholders, where the Board is available to answer questions about specific resolutions being proposed at the meeting and also about the business of the Group. According to the CG Code requirement, the chairman of the Board should arrange for the chairmen of the Audit, Remuneration and Nomination Committees to answer the questions at the general meeting. According to the code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. An Independent Non-executive Director was unable to attend the annual general meeting of the Company held on 21st May, 2012 (the "AGM") due to the fact that he was out of town. The chairmen of Remuneration and Nomination Committees had attended the AGM. In absence of the chairman of Audit Committee, the Board had invited another member of Audit Committee to attend the AGM to comply with code provision E.1.2 of the CG Code. The management will also ensure the external auditor to attend the forthcoming annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

According to the Company's Bye-Laws, Shareholders may request the Board at all times to call special general meetings if Shareholder(s) holds not less than one-tenth of the Company's paid up capital carrying the right of voting at general meetings of the Company at the date of deposit of the requisition. Shareholders shall request the Board to call special general meetings by written requisition to the Board or the Company Secretary through the above channels for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of the act of Bermuda.

If a Shareholder wishes to propose a person (the "Candidate") other than the retiring Directors, for election as a Director at a general meeting, a written notice (the "Notice") shall be deposited at the Company's head office in Hong Kong at Unit No. 1906, 19/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data.

The period for lodgement of the Notice shall commence no earlier than the date after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS (continued)

In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

Extensive information about the Group's activities is provided in its annual reports and interim reports which are sent to Shareholders and investors. The Company's announcements, press release and publication are circulated and are also available on the website of the Stock Exchange. In order to provide effective disclosure to the Shareholders and investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcement as required by the Listing Rules.

The Board has established a shareholders communication policy on 28th March, 2012 and will review it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

In order to promote effective communication, the Company also maintains websites (www.irasia.com/listco/hk/daido/index.htm) which include the latest information relating to the Group and its businesses.

Deloitte.
德勤

TO THE MEMBERS OF DAIDO GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Daido Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 81, which comprise the consolidated statement of financial position as at 31st December, 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

Independent Auditor's Report

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong,
28th March, 2013

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31ST DECEMBER, 2012

	Notes	**2012 HK$'000**	2011 HK$'000
Revenue	*5*	**214,691**	172,793
Direct costs		**(240,786)**	(157,867)
Gross (loss) profit		**(26,095)**	14,926
Other income	*6*	**7,514**	7,138
Selling and distribution expenses		**(17,554)**	(4,945)
Administrative expenses		**(58,529)**	(22,536)
Other operating expenses		**(11,395)**	(34,236)
Other gains and losses	*7*	**(3,484)**	(190)
Impairment loss on goodwill	*15*	**(323)**	–
Impairment loss on property, plant and equipment	*14*	**(56,413)**	–
Impairment loss on available-for-sale investments	*16*	**(10,000)**	(35,300)
Finance costs	*8*	**(4,895)**	(6,427)
Loss before tax		**(181,174)**	(81,570)
Tax credit	*9*	**–**	328
Loss for the year	*10*	**(181,174)**	(81,242)
Other comprehensive income for the year			
Exchange differences arising on translation of the foreign operations		**246**	393
Total comprehensive expense for the year		**(180,928)**	(80,849)
Loss for the year attributable to:			
Owners of the Company		**(179,899)**	(81,242)
Non-controlling interests		**(1,275)**	–
		(181,174)	(81,242)
Total comprehensive expense attributable to:			
Owners of the Company		**(179,653)**	(80,849)
Non-controlling interests		**(1,275)**	–
		(180,928)	(80,849)
Loss per share — basic and diluted	*13*	**HK10.47 cents**	HK6.48 cents

Consolidated Statement of Financial Position

AT 31ST DECEMBER, 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**77,798**	80,206
Goodwill	15	**8,513**	8,836
Available-for-sale investments	16	**43,620**	53,620
Loans to an investee	17	**69,107**	68,802
Financial assets at fair value through profit or loss	18	**8,207**	7,077
Deposits for acquisition of property, plant and equipment		**2,880**	15,233
Rental deposits paid		**24,592**	25,072
Pledged bank deposits	21 & 29	**78,718**	78,718
		313,435	337,564
CURRENT ASSETS			
Trade and other receivables, deposits and prepayments	19	**51,117**	53,227
Inventories		**2,075**	–
Held for trading investments	20	**877**	601
Bank balances and cash	21	**54,916**	89,572
		108,985	143,400
CURRENT LIABILITIES			
Trade and other payables	22	**53,698**	17,135
Obligations under finance leases	23	**375**	349
Promissory notes	24	**9,762**	4,762
		63,835	22,246
NET CURRENT ASSETS		**45,150**	121,154
TOTAL ASSETS LESS CURRENT LIABILITIES		**358,585**	458,718

Consolidated Statement of Financial Position

AT 31ST DECEMBER, 2012

	Notes	**2012 HK$'000**	2011 HK$'000
CAPITAL AND RESERVES			
Share capital	*25*	**20,723**	14,394
Share premium and reserves		**274,074**	383,208
Equity attributable to owners of the Company		**294,797**	397,602
Non-controlling interests		**14,237**	11,522
		309,034	409,124
NON-CURRENT LIABILITIES			
Obligations under finance leases	*23*	**347**	722
Amount due to non-controlling interests of a subsidiary	*27*	**24,594**	24,594
Promissory notes	*24*	**12,392**	15,960
Other liabilities	*22*	**12,218**	8,318
		49,551	49,594
		358,585	458,718

The consolidated financial statements on pages 32 to 81 were approved and authorised for issue by the Board of Directors on 28th March, 2013 and are signed on its behalf by:

AU TAT WAI
Director

CHOY KAI SING
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31ST DECEMBER, 2012

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(Note)*	Retained profits (accumulated losses) HK$'000	Convertible bond equity reserve HK$'000	Translation reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2011	9,996	172,770	39,984	154,225	8,147	–	385,122	8,120	393,242
Loss for the year	–	–	–	(81,242)	–	–	(81,242)	–	(81,242)
Other comprehensive income for the year	–	–	–	–	–	393	393	–	393
Total comprehensive (expense) income for the year	–	–	–	(81,242)	–	393	(80,849)	–	(80,849)
Deemed contribution on interest-free advance from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	3,402	3,402
Issues of shares pursuant to placing and subscription arrangements	4,398	90,323	–	–	–	–	94,721	–	94,721
Transaction costs attributable to issue of new shares	–	(1,392)	–	–	–	–	(1,392)	–	(1,392)
Released upon expiry of convertible bonds	–	–	–	8,147	(8,147)	–	–	–	–
At 31st December, 2011	14,394	261,701	39,984	81,130	–	393	397,602	11,522	409,124
Loss for the year	–	–	–	(179,899)	–	–	(179,899)	(1,275)	(181,174)
Other comprehensive income for the year	–	–	–	–	–	246	246	–	246
Total comprehensive (expense) income for the year	–	–	–	(179,899)	–	246	(179,653)	(1,275)	(180,928)
Deemed contribution on interest-free advance from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	3,402	3,402
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	588	588
Issues of shares pursuant to placing arrangements	6,329	71,338	–	–	–	–	77,667	–	77,667
Transaction costs attributable to issue of new shares	–	(819)	–	–	–	–	(819)	–	(819)
At 31st December, 2012	20,723	332,220	39,984	(98,769)	–	639	294,797	14,237	309,034

Note: On 24th November, 2009, every five issued and unissued existing shares of HK$0.01 each in share capital of the Company consolidated into one consolidated share of HK$0.05 (the "Share Consolidation"). After completion of Share Consolidation, the par value of each issued consolidated share is reduced from HK$0.05 to HK$0.01 by cancelling the paid up capital to the extent of HK$0.04 on each issued consolidated share (the "Capital Reduction") and the credit arising in the accounts of the Company from the Capital Reduction was credited to capital reserve account of the Company on 18th December, 2009.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31ST DECEMBER, 2012

	Note	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(181,174)**	(81,570)
Adjustments for:			
Depreciation of property, plant and equipment		**16,640**	5,795
Finance costs		**4,895**	6,427
Gain on disposal of property, plant and equipment		**(260)**	(294)
Interest income		**(6,251)**	(6,804)
Dividend income received from held for trading investments		**(41)**	–
Change in fair value of investment properties		**–**	(500)
Impairment loss on goodwill		**323**	–
Impairment loss on available-for-sale investments		**10,000**	35,300
Impairment loss on property, plant and equipment		**56,413**	–
Adjustment on loans to an investee		**5,109**	–
Fair value (gain) loss on held for trading investments		**(235)**	294
Fair value (gain) loss on financial assets at fair value through profit or loss		**(1,130)**	690
Operating cash flows before movements in working capital		**(95,711)**	(40,662)
Decrease (increase) in rental deposits paid		**480**	(8,720)
Decrease (increase) in trade and other receivables, deposits and prepayments		**2,110**	(11,645)
Increase in inventories		**(2,075)**	–
Increase in trade and other payables		**19,162**	2,197
Net cash used in operations		**(76,034)**	(58,830)
Hong Kong Profits Tax refunded		**–**	(39)
NET CASH USED IN OPERATING ACTIVITIES		**(76,034)**	(58,869)
INVESTING ACTIVITIES			
Interest received		**837**	1,414
Purchase of property, plant and equipment		**(36,871)**	(64,717)
Deposits for acquisition of property, plant and equipment		**–**	(15,233)
Proceeds from disposal of property, plant and equipment		**320**	438
Proceeds from disposal of investment properties		**–**	20,000
Purchase of held for trading investments		**–**	(895)
Increase in pledged bank deposits		**–**	(9,812)
Acquisition of a subsidiary	*33*	**–**	(392)
NET CASH USED IN INVESTING ACTIVITIES		**(35,714)**	(69,197)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31ST DECEMBER, 2012

	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES		
Repayment of promissory notes	**–**	(5,000)
Interest paid	**(61)**	(45)
Repayment of obligations under finance leases	**(349)**	(148)
Proceeds from issue of new shares	**77,667**	94,721
Transaction cost attributable to issue of new shares	**(819)**	(1,392)
Repayment of convertible bonds	**–**	(24,400)
Capital contribution from non-controlling interests	**588**	–
NET CASH FROM FINANCING ACTIVITIES	**77,026**	63,736
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(34,722)**	(64,330)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**89,572**	153,561
Effect of foreign exchange rate changes	**66**	341
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**54,916**	89,572

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate information" in the annual report.

The principal activities of the Group are provision of cold storage and related services, operation of karaoke outlets and related services in the People's Republic of China and investment holding.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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

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

HKFRS 7 (Amendments)	Financial Instruments: Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

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

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

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

1 Effective for annual periods beginning on or after 1st January, 2013
2 Effective for annual periods beginning on or after 1st January, 2015
3 Effective for annual periods beginning on or after 1st July, 2012
4 Effective for annual periods beginning on or after 1st January, 2014

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

HKFRS 9 Financial Instruments

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

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

HKFRS 9 is effective for the Group for annual period beginning on 1st January, 2015, with earlier application permitted. The directors anticipate that the adoption of HKFRS 9 may have an impact on amounts reported in the consolidated financial statements in relation to the investments classified under available-for-sale. It is not practicable to estimate the effect until a detailed review has been completed.

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

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

The directors consider that the application of HKFRS 10, HKFRS 11, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011), together with amendments relating to the transitional guidance on the application of these HKFRS issued in July 2012, will not have any impact on the amounts reported in the consolidated financial statements.

The directors expect that the application of HKFRS 12, a disclosure standard applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities, will result in more extensive disclosure in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

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

The directors anticipate that HKFRS 13 will be adopted for the Group in the consolidated financial statements for the annual period beginning 1st January, 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The directors anticipate that the application of the other new and revised HKFRSs will have no material impact in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

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

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

Revenue recognition

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

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

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

Storage income is recognised on a time proportion basis over the period in which storage services are provided.

Logistics service income and service income from karaoke outlets and related services are recognised when services are provided.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Impairment losses on tangible assets

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. The impairment loss shall be allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset within the cash-generating unit.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

Inventories

Inventories comprising food and beverage are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Taxation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

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

If the Group revises its estimates of payments or receipts, the Group adjust the carrying amount of the loans and receivables, to reflect actual and revised estimated cash flows. The Group recalculates the carrying amount by computing the present value of estimated future cash flows at the original effective interest rate. The adjustment is recognised as income or expense in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated or not classified as FVTPL, held-to-maturity investments, or loans and receivables. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

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

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

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

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

Impairment losses on available-for-sale equity investments carried at cost will not be reversed through profit or loss in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, promissory notes and amount due to non-controlling interests of a subsidiary) are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

Embedded derivatives

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

Derecognition

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

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

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

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The recoverable amount is higher of value in use and fair value less costs to sell. When the value in use calculation is adopted, it requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows or fair value less costs to sell are less than expected, or changes in facts and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss may arise. As at 31st December, 2012, the carrying amount of goodwill is HK$8,513,000 (2011: HK$8,836,000) (net of accumulated impairment loss of HK$6,723,000 (2011: HK$6,400,000)). Details of the recoverable amount calculation are disclosed in note 15.

Estimated impairment of available-for-sale financial assets

Available-for-sale investments of the Group are stated at cost less impairment. Determining whether the available-for-sale investments are impaired requires an estimation of the expected future cash flows of the investments. The calculation required the management of the Group to estimate the returns to be generated from the investments and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or unfavourable changes in facts and circumstances which result in revisions of the estimated future cash flows, a further impairment loss may arise. As at 31st December, 2012, the carrying amount of available-for-sale financial assets is HK$43,620,000 (2011: HK$53,620,000) (net of accumulated impairment loss of HK$105,000,000 (2011: HK$95,500,000)).

Estimated adjustment on loans to an investee

Determining whether loans to an investee are adjusted requires management's best estimation on the expected repayment date of the loans. The directors of the Company considered the repayment of the loans will commence from 2016 onwards after taking into account the financial ability of the investee and the project development plan of the investee. Where the actual future cash flows from the investee are less than expected or the timing of expected cash flows is revised, a material adjustment on loans to an investee may arise. As at 31st December, 2012, the carrying amount of loans to an investee is HK$69,107,000 (2011: HK$68,802,000).

Estimated impairment of property, plant and equipment

The management conducted a review and determined that any indication of impairment by considering the recoverable amount of the individual property, plant and equipment or the cash-generating units to which the property, plant and equipment is allocated. The amount of impairment loss is measured as the difference between the carrying amount of the relevant property, plant and equipment or the cash-generating unit and their respective recoverable amounts. The recoverable amount is higher of value in use and fair value less costs to sell. The calculation of value in use required the management of the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows or fair value less costs to sell are less or more than expected, or changes in facts and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss previously made may arise. As at 31st December, 2012, the carrying amount of property, plant and equipment is HK$77,798,000 (2011: HK$80,206,000) (net of accumulated impairment loss of HK$56,413,000 (2011: HK$Nil)).

5. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on the types of services provided. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

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

1. Cold storage and related services in Hong Kong ("Cold storage and related services")

2. Karaoke outlets and related services in the People's Republic of China (the "PRC") ("Karaoke outlets and related services")

Segments revenues and results

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

For the year ended 31st December, 2012

	Cold storage and related services HK$'000	Karaoke outlets and related services HK$'000	Total HK$'000
Revenue	**186,298**	**28,393**	**214,691**
Segment loss	**(387)**	**(159,094)**	**(159,481)**
Unallocated income			**7,514**
Unallocated expenses			**(10,568)**
Change in fair value of financial instruments			**1,365**
Adjustment on loans to an investee			**(5,109)**
Impairment loss on available-for-sale investments			**(10,000)**
Finance costs			**(4,895)**
Loss before tax			**(181,174)**

5. REVENUE AND SEGMENT INFORMATION (continued)

For the year ended 31st December, 2011

	Cold storage and related services HK$'000	Karaoke outlets and related services HK$'000	Total HK$'000
Revenue	172,793	–	172,793
Segment loss	(1,818)	(34,236)	(36,054)
Unallocated income			7,195
Unallocated expenses			(10,500)
Change in fair value of financial instruments			(984)
Change in fair value of investment properties			500
Impairment loss on available-for-sale investments			(35,300)
Finance costs			(6,427)
Loss before tax			(81,570)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the loss from each segment without allocation of interest income, sundry income, central administration costs including part of auditor's remuneration and directors' remuneration, change in fair value of investment properties and financial instruments, adjustment on loans to an investee, impairment loss on available-for-sale investments and finance costs. This is the measure reported to the chief operating decision makers, the executive directors, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2012 HK$'000	2011 HK$'000
ASSETS		
Cold storage and related services	**82,563**	85,879
Karaoke outlets and related services	**82,833**	95,194
Total segment assets	**165,396**	181,073
Unallocated assets	**257,024**	299,891
Consolidated assets	**422,420**	480,964
LIABILITIES		
Cold storage and related services	**16,354**	14,383
Karaoke outlets and related services	**49,127**	10,811
Total segment liabilities	**65,481**	25,194
Unallocated liabilities	**47,905**	46,646
Consolidated liabilities	**113,386**	71,840

5. REVENUE AND SEGMENT INFORMATION (continued)

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

- all assets are allocated to operating segments other than available-for-sale investments, loans to an investee, financial assets at fair value through profit or loss, held for trading investments, pledged bank deposits, bank balances and cash, certain property, plant and equipment, and certain other receivables. Goodwill is allocated to cold storage and related services and karaoke outlets and related services as described in note 15; and

- all liabilities are allocated to operating segments other than promissory notes, amount due to non-controlling interests of a subsidiary and certain other payables.

Other segment information

2012

	Cold storage and related services HK$'000	**Karaoke outlets and related services HK$'000**	**Segments total HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	**1,648**	**68,837**	**70,485**	**40**	**70,525**
Depreciation	**5,290**	**11,209**	**16,499**	**141**	**16,640**
Impairment loss on property, plant and equipment	**–**	**56,413**	**56,413**	**–**	**56,413**
Impairment loss on goodwill	**–**	**323**	**323**	**–**	**323**
Gain on disposal of property, plant and equipment	**260**	**–**	**260**	**–**	**260**

2011

	Cold storage and related services HK$'000	Karaoke outlets and related services HK$'000	Segments total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	4,606	84,986	89,592	88	89,680
Depreciation	5,655	8	5,663	132	5,795
Gain on disposal of property, plant and equipment	129	–	129	165	294

Note: Additions to non-current assets represented additions to property, plant and equipment, goodwill, deposits for acquisition of property, plant and equipment and rental deposits paid.

5. REVENUE AND SEGMENT INFORMATION (continued)

Amount regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss or segment assets:

	Unallocated	
	2012	2011
	HK$'000	HK$'000
Interest income	**(6,251)**	(6,804)
Interest expense	**4,895**	6,427
Tax credit	**–**	(328)
Change in fair value of investment properties	**–**	(500)
Change in fair value of financial instruments	**(1,365)**	984
Adjustment on loans to an investee	**5,109**	–
Impairment loss on available-for-sale investments	**10,000**	35,300

Geographical information

The Group's operations are located in Hong Kong and the PRC.

Information about of the Group's non-current assets by geographical location of the assets (excluding available-for-sale investments, loans to an investee, financial assets at fair value through profit or loss and pledged bank deposits) are set out below:

	2012	2011
	HK$'000	HK$'000
Hong Kong	**40,419**	44,221
PRC	**73,364**	85,126
	113,783	129,347

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2012	2011
	HK$'000	HK$'000
Cold storage and logistic services	**183,800**	168,021
Manufacturing and trading of ice	**2,498**	4,772
Karaoke outlets and related services	**28,393**	–
	214,691	172,793

5. REVENUE AND SEGMENT INFORMATION (continued)

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group from cold storage and related services are as follows:

	2012 HK$'000	2011 HK$'000
Customer A	**33,336**	37,349
Customer B	**21,715**	20,097

6. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Bank interest income	**837**	1,414
Imputed interest income from loans to an investee	**5,414**	5,390
Sundry income	**1,263**	334
	7,514	7,138

7. OTHER GAINS AND LOSSES

	2012 HK$'000	2011 HK$'000
Change in fair value of investment properties	**–**	500
Gain on disposal of property, plant and equipment	**260**	294
Fair value gain (loss) on financial assets at fair value through profit or loss	**1,130**	(690)
Fair value gain (loss) on held for trading investments	**235**	(294)
Adjustment on loans to an investee *(Note 17)*	**(5,109)**	–
	(3,484)	(190)

8. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on obligations under finance leases	**61**	45
Imputed interest expense on amount due to non-controlling interests of a subsidiary	**3,402**	3,402
Imputed interest expense on convertible bonds	**–**	1,304
Imputed interest expense on promissory notes	**1,432**	1,676
	4,895	6,427

9. INCOME TAX

	2012 **HK$'000**	2011 HK$'000
The tax credit comprises:		
Deferred tax *(note 28)*		
Current year	**–**	(328)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

PRC Enterprise Income Tax ("EIT") is calculated at the applicable tax rate of 25%.

No provision for Hong Kong Profits Tax and EIT are required as the individual companies comprising the Group incurred a loss for both years.

The tax credit for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2012 **HK$'000**	2011 HK$'000
Loss before tax	**(181,174)**	(81,570)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(29,894)**	(13,459)
Tax effect of expenses not deductible for tax purpose	**4,684**	11,790
Tax effect of income not taxable for tax purpose	**(1,377)**	(1,194)
Tax effect of tax losses not recognised	**24,283**	2,536
Tax effect of other temporary differences not recognised	**9,529**	(1)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(7,225)**	–
Tax credit for the year	**–**	(328)

Details of deferred taxation are set out in note 28.

10. LOSS FOR THE YEAR

	2012 HK$'000	2011 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,400	900
Depreciation for property, plant and equipment	16,640	5,795
Exchange loss, net	65	1,014
Other operating expenses *(Note)*	11,395	34,236
Minimum lease payments for operating leases in respect of rented premises	111,344	89,017
Gross rental income from investment properties	–	(225)
Less: Direct expense from investment properties	–	107
	–	(118)
Total staff costs (including directors' emoluments)	88,808	58,680

Note: Included in the amount is HK$6,692,000 (2011: HK$34,236,000) relating to pre-operating expenses including rental expenses and staff costs incurred in the development of karaoke outlets and related services in the PRC.

The remaining amount represents the expense incurred to settle a legal case as disclosed in note 30.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the 9 (2011: 9) directors were as follows:

	Fung Wa Ko HK$'000	Tang Tsz Man, Philip HK$'000	Leung Chi Hung HK$'000	Tse Yuen Ming HK$'000	Chung Siu Wah HK$'000	Fung Siu Kit, Ronny HK$'000	Choy Kai Sing HK$'000	Ho Hon Chung, Ivan HK$'000	Au Tat Wai HK$'000	Total 2012 HK$'000
Fees	120	120	90	90	–	80	132	132	72	836
Other emoluments										
Salaries and other benefits	–	420	–	–	809	–	1,123	1,113	908	4,373
Contributions to retirement benefits scheme	–	6	–	–	30	–	81	17	32	166
Total emoluments	120	546	90	90	839	80	1,336	1,262	1,012	5,375

	Fung Wa Ko HK$'000	Tang Tsz Man, Philip HK$'000	Leung Chi Hung HK$'000	Tse Yuen Ming HK$'000	Chung Siu Wah HK$'000	Fung Siu Kit, Ronny HK$'000	Choy Kai Sing HK$'000	Ho Hon Chung, Ivan HK$'000	Au Tat Wai HK$'000	Total 2011 HK$'000
Fees	715	120	90	90	–	80	132	132	72	1,431
Other emoluments										
Salaries and other benefits	–	–	–	–	976	–	1,258	1,034	1,017	4,285
Contributions to retirement benefits scheme	–	4	–	–	27	–	81	16	32	160
Total emoluments	715	124	90	90	1,003	80	1,471	1,182	1,121	5,876

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and chief executive's emoluments (continued)

Mr. Au Tat Wai is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive.

Neither the chief executive nor any of the directors waived any emoluments in the year ended 31st December, 2012 and 2011.

(b) Employees' emoluments

Four (2011: Five) out of the five highest paid individuals of the Group were directors of the Company (see above tables for details). None of which were employees for part of the year and their emoluments as employees, together with one (2011: no) remaining highest paid individuals were included in the following:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	**718**	–
Contribution to retirement benefits scheme	**14**	–
	732	–

Their emoluments were within the following band:

	2012 Number of employees	2011 Number of employees
Nil to HK$1,000,000	**1**	–

12. DIVIDEND

No interim dividend is paid during the year (2011: Nil), nor has any dividend been proposed since the end of the reporting period (2011: Nil).

13. LOSS PER SHARE

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

	2012 HK$'000	2011 HK$'000
Loss for the purpose of basic and diluted loss per share, attributable to owners of the Company	**(179,899)**	(81,242)

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,718,514**	1,254,181

13. LOSS PER SHARE (continued)

The weighted average number of ordinary shares for 2012 and 2011 has been adjusted for issue of new shares as disclosed in note 25.

No dilutive effect to the loss per share as there were no potential ordinary shares in issue for year ended 31st December, 2012.

The computation of diluted loss per share for year ended 31st December, 2011 did not assume the conversion of convertible bonds since it would result in a decrease in loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1st January, 2011	20,383	1,519	6,889	19,635	–	48,426
Additions	–	24	1,474	2,120	61,769	65,387
Acquired on acquisition of a subsidiary	–	–	–	17	–	17
Disposals	–	–	(909)	(1,077)	–	(1,986)
Exchange realignment	–	–	26	26	–	52
At 31st December, 2011	20,383	1,543	7,480	20,721	61,769	111,896
Additions	32,179	3,316	–	32,610	2,420	70,525
Reclassification on completion of construction in progress	56,727	–	–	–	(56,727)	–
Disposals	–	(1)	–	(2,814)	–	(2,815)
Exchange realignment	–	–	2	2	176	180
At 31st December, 2012	109,289	4,858	7,482	50,519	7,638	179,786
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2011	9,670	1,356	5,169	11,542	–	27,737
Provided for the year	2,422	81	668	2,624	–	5,795
Eliminated on disposals	–	–	(795)	(1,047)	–	(1,842)
At 31st December, 2011	12,092	1,437	5,042	13,119	–	31,690
Provided for the year	8,977	557	660	6,446	–	16,640
Impairment loss recognised in profit or loss	39,778	1,228	244	13,040	2,123	56,413
Eliminated on disposals	–	–	–	(2,755)	–	(2,755)
At 31st December, 2012	60,847	3,222	5,946	29,850	2,123	101,988
CARRYING VALUES						
At 31st December, 2012	48,442	1,636	1,536	20,669	5,515	77,798
At 31st December, 2011	8,291	106	2,438	7,602	61,769	80,206

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Leasehold improvements	Over the shorter of terms of the leases and 10%
Furniture and fixtures	10%–33$^1/_3$%
Motor vehicles	20%–33$^1/_3$%
Plant and machinery and equipment	5%–50%

The carrying value of motor vehicles includes an amount of HK$719,000 (2011: HK$1,025,000) in respect of assets held under finance leases.

The carrying value of property, plant and equipment includes an amount of HK$14,685,000 (2011: HK$Nil) in respect of assets held for the subcontracting to an operator.

If there is any indication that property, plant and equipment may be impaired, the recoverable amount is estimated for the individual property, plant and equipment. If it is not possible to estimate the recoverable amount of the individual property, plant and equipment, the Group determines the recoverable amount of the cash-generating unit to which the property, plant and equipment belong.

During the year ended 31st December, 2012, management of the Company decided to suspend one of the outlets in Jiangsu and accordingly, certain property, plant and equipment of that outlet of HK$3,390,000 (2011: HK$Nil) are impaired.

During the year, the performance of karaoke outlets and related services are worse than prior year cash flow projections. The directors of the Company considered these were impairment indicators and an impairment reviews for the relevant cash generating units ("CGU") were conducted. For impairment review purpose, the Group identifies each of the four regions, namely Shanghai, Beijing, Jiangsu and Hunan, in which the karaoke outlets operate as four cash generating units ("CGUs"). The recoverable amounts of the respective CGUs have been determined as higher of fair value less costs to sell and value in use calculation. The value in use calculations were based on the cash flow projections based on the latest financial budgets approved by the management covering a period of 5 years at a discount rate of 22.56% per annum for all the four CGUs. The cash flows beyond the 5-year period are extrapolated up to end of the relevant lease periods using a zero growth rate. The key assumptions for the value in use calculations related to the estimation of budgeted sales and gross margin, such estimation was based on the expectation for the market development based on the management's estimate.

As at 31st December, 2012, there are eleven outlets in Shanghai and one outlet in Beijing which have commenced operation. In Hunan, all the three outlets have been subcontracted to an operator for a fixed subcontracting fee income for two years starting November 2012. While in Jiangsu, the remaining two outlets (excluding the outlet which has been suspended) have not yet commenced operation.

In the cash flow projections, all the outlets in Shanghai and Beijing are expected to continue their operations. The growth rates used in the forecast of these two regions are estimated at a range of 5% to 35% from 2014 to 2017. All of the three outlets in Hunan are currently under subcontracting arrangement and are expected to be operated by the Group starting 2015. For Jiangsu, all the outlets are expected to subcontract to an operator in 2013 to 2014 and operated by the Group starting 2015. No growth is expected in the forecast from 2013 to 2015 while it is expected to have 15% and 10% growth in 2016 and 2017, respectively.

With reference to the cash flow projections, impairment losses of HK$53,023,000 (2011: HK$Nil) were recognised in respect of CGU of Shanghai and were allocated to reduce the carrying amounts of the property, plant and equipment of this CGU on a pro-rata basis.

No impairment loss has been recognised in respect of the CGUs of Beijing and Hunan regions and no further impairment has been recognised in respect of Jiangsu other than the outlet which has been suspended.

15. GOODWILL

	2012 **HK$'000**	2011 HK$'000
COST		
At 1st January	**15,236**	14,913
Arising on acquisition of a subsidiary	**–**	323
At 31st December	**15,236**	15,236
IMPAIRMENT		
At 1st January	**6,400**	6,400
Impairment loss recognised in the year	**323**	–
At 31st December	**6,723**	6,400
CARRYING VALUES		
At 31st December	**8,513**	8,836

Goodwill arising from acquisition of subsidiaries amounting to HK$14,913,000 in 2006 was allocated to one cash generating unit (CGU), which comprises two wholly-owned subsidiaries of the Company engaging in the cold storage and logistics services of which accumulated impairment loss of HK$6,400,000 (2011: HK$6,400,000) has been recognised.

Due to the effects caused by the mix of warehouse facility in 2011 and 2012, the Group has prepared its cash flow projections for the CGU by slightly increasing the projected revenue generated from the cold storage and related services. Based on the above cash flow projections, the recoverable amount of this CGU exceeded the carrying amount of goodwill at 31st December, 2011 and 2012. No impairment charge was necessary for both years.

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2011: 5-year period), and discount rate of 16.04% (2011: 16.58%). The cash flows beyond 5-year period are extrapolated using a zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of CGU.

In 2011, the Group acquired a subsidiary resulting in an increase in goodwill of HK$323,000. The entire amount is fully impaired as at 31 December 2012 as the directors of the Company are of the opinion that the amount could not be recovered in the future. Details of acquisition of a subsidiary are disclosed in note 33.

16. AVAILABLE-FOR-SALE INVESTMENTS

	2012 **HK$'000**	2011 HK$'000
Unlisted shares, at cost	**149,120**	149,120
Less: Impairment	**(105,500)**	(95,500)
	43,620	53,620

The Group, through a 75% owned subsidiary hold the above available-for-sale investments which represent 40% of the issued ordinary shares of Richbo Enterprises Limited ("Richbo"), a private entity incorporated in the British Virgin Islands. The Group does not have any significant influence nor any power to exercise significant influence over the management and participate in the financial and operating decisions of Richbo because the Group has no right to nominate any director to the board of Richbo and accordingly, the investments are not classified as associate.

Richbo is principally engaged in investment holding and holds 100% (2011: 100%) effective interest in Fast Profit Investments Limited, which in turn holds 20% (2011: 20%) interest in a jointly controlled entity that operates a hotel resort complex in Macau, the PRC. As at 31st December, 2012, the Group, through its subsidiary and Richbo, held 6% (2011: 6%) effective interest in the hotel resort complex operation.

The investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year, the management of that hotel resort complex operation has changed the strategic plans and the cash flow projection is revised. Accordingly, the Group re-assessed the recoverable amount of the available-for-sale investments taking into account the expected future cash flows and estimated terminal value upon disposal of the investments. Based on the revised cash flow projections and assumptions, an impairment loss of HK$10,000,000 is recognised (2011: HK$35,300,000).

At 31st December, 2012 and 2011, the Group has equity interest in Richbo:

Name	Form of business structure	Place of incorporation	Place of operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company	Principal activity
Richbo	Incorporated	British Virgin Islands	Macau	Ordinary	40% *(note)*	Investment holding

Note: 40% equity interest in Richbo is held by Brilliant Gold International Limited, a subsidiary in which the Company has 75% equity interest. None of the directors of the Company have beneficial interest in Richbo or being a board member of Richbo.

17. LOANS TO AN INVESTEE

The loans to Richbo are unsecured, interest-free and with no fixed repayment terms. The directors of the Company considered that the amount will not be repaid within twelve months from the end of the reporting period, and accordingly, the amounts are shown as non-current.

At 31st December, 2008, the Group re-assessed the future repayment schedule of the outstanding loans and considered the repayment of the loans will commence from 2016 onwards after taking into account the financial ability of the investees and the project development plan. Accordingly, the outstanding balance of the loans was discounted to its fair value of HK$53,866,000 in three yearly installments commencing from 2016 using the original effective interest rate of 8.5% per annum. An adjustment of HK$61,058,000 has been charged to the profit or loss in 2008.

At 31st December, 2012, the Group re-assessed the future repayment schedule of the outstanding loans and considered the repayment of the loans will change to be in five yearly installments commencing from 2016 onwards after taking into account the financial ability of the investee and the project development plan. Accordingly, the carrying amount of the loans was recalculated by computing the present value of revised estimated future cash flows using the original effective interest rate of 8.5% per annum. An adjustment to the carrying amount of HK$5,109,000 has been charged to the profit or loss in the current year.

During the year ended 31st December, 2012, the Group recognised interest income of HK$5,414,000 (2011: HK$5,390,000) at the effective interest rate of 8.5% (2011: 8.5%) per annum.

The fair value of the loans to an investee at 31st December, 2012, estimated by the current market interest rate of 16.67% (2011: 16.94%) per annum was HK$45,471,000 (2011: HK$44,155,000).

The credit risk on loans to an investee is mentioned in note 37(b).

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss is analysed as:

	2012 **HK$'000**	2011 HK$'000
United States Dollars ("USD") foreign exchange linked note, at fair value	**8,207**	7,077

In 2010, the Group entered into a five-year USD foreign exchange linked note ("Note") with a bank amounting to USD1 million ("notional amount"). The Note contains an annual coupon of 2.12%. In addition, upon the maturity date, the Company will receive the principal of USD1 million plus an additional payment. If Renminbi ("RMB") appreciates over the 60 month-on-month periods, the Company will be entitled to an additional payment equal to 25% of notional amount at maximum. If RMB keeps depreciating on month-on-month basis, the Company will receive less than this amount or no additional payment.

The fair value of the financial assets at fair value through profit or loss has increased by HK$1,130,000 (2011: decreased by HK$690,000) during the year.

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2012 HK$'000	2011 HK$'000
Trade receivables	**40,378**	39,755
Less: allowance for doubtful debts	**(14)**	(16)
	40,364	39,739
Deposits and prepayments *(Note 1)*	**8,574**	10,563
Other receivables	**2,179**	2,925
	51,117	53,227

Note 1: Included in the amount is HK$2,137,000 (2011: HK$6,229,000) relating to the prepayment of rental expenses for karaoke outlets and related services.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2012 HK$'000	2011 HK$'000
0–30 days	**15,370**	15,012
31–60 days	**11,785**	12,094
61–90 days	**9,086**	5,398
91–120 days	**4,067**	3,987
More than 120 days	**56**	3,248
	40,364	39,739

Except for certain customers who are allowed 30 to 60 days credit period, no credit period is allowed by the Group in respect of provision of cold storage and logistics services. No interest is charged on any outstanding trade receivables.

Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed once a year.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$24,349,000 (2011: HK$23,299,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality. The Group does not hold any collateral over these balances.

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Aging of trade receivables which are past due but not impaired:

	2012 HK$'000	2011 HK$'000
1–30 days	13,192	12,545
31–60 days	8,486	7,357
61–90 days	2,671	3,397
	24,349	23,299

The movement in the allowance for doubtful debts during the year is as follows:

	2012 HK$'000	2011 HK$'000
At beginning of the year	16	20
Amounts written off during the year	(2)	(4)
At end of the year	14	16

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

20. HELD FOR TRADING INVESTMENTS

	2012 HK$'000	2011 HK$'000
Listed securities:		
— Equity securities listed in Hong Kong	877	601

21. OTHER FINANCIAL ASSETS

Bank balances and cash comprise short-term bank deposits at average prevailing market interest rates of 0.05% (2011: 0.54%) per annum. The pledged deposits bears interest at average prevailing market interest rate of 1.60% (2011: 1.54%) per annum.

Pledged bank deposits have been pledged to secure the long-term operating lease commitment and are therefore classified as non-current assets.

22. TRADE AND OTHER PAYABLES

	2012 HK$'000	2011 HK$'000
Trade payables	**9,547**	4,556
Payable for acquisition of property, plant and equipment	**21,301**	–
Accrual for rental expense	**4,163**	–
Accrued for staff costs	**9,263**	4,969
Other payables	**9,424**	7,610
	53,698	17,135

The aged analysis of trade payables presented based on the invoice date are as follows:

	2012 HK$'000	2011 HK$'000
0–30 days	**4,353**	3,235
31–60 days	**2,797**	1,205
61–90 days	**209**	116
91–120 days	**2,188**	–
	9,547	4,556

No credit period is generally allowed by creditors and no interest is charged on trade creditors.

Non-current other liabilities represented the lease incentive and progressive yearly rental over the lease term of 8 to 10 years.

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payment		Present value of minimum lease payment	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Within one year	**410**	410	**375**	349
In the second to fifth year inclusive	**359**	769	**347**	722
	769	1,179	**722**	1,071
Less: future finance charges	**(47)**	(108)		
Present value of lease obligations	**722**	1,071		
Less: Amount due for settlement within one year shown under current liabilities			**(375)**	(349)
Amount due for settlement after one year			**347**	722

The obligations under finance leases represent the finance leases for three (2011: three) motor vehicles. The term of the leases ranges from three to five years (2011: four to five years) at a fixed rate of 3% to 5% (2011: 3% to 5%) per annum. The obligations are secured by the lessor's charge over the leased assets.

24. PROMISSORY NOTES

	2012 HK$'000	2011 HK$'000
The promissory notes are repayable as follows:		
Within one year	**9,762**	4,762
In the second year	**4,431**	4,431
In the third to fifth year inclusive	**7,961**	11,529
	22,154	20,722
Less: Amounts due for settlement within one year shown under current liabilities	**(9,762)**	(4,762)
Amounts due for settlement after one year	**12,392**	15,960

The fair value of promissory notes at 31st December, 2012 determined based on the present value of the estimated future cash outflow discounted at the current market interest rate of 13.9% (2011: 13.9%) per annum was HK$19,850,000 (2011: HK$17,958,000).

24. PROMISSORY NOTES (continued)

The major terms of the promissory notes are summarised below:

Principal amount:	Ten promissory notes with a principal amount of HK$5 million each.
Issue price:	HK$50,000,000
Interest:	Zero-coupon
Original effective interest rate:	7.5% per annum
Maturity:	Repayable by ten equal installments of HK$5 million each on the consecutive anniversary of the date of issue of the promissory notes i.e. 8th September, 2006.
Early repayment	The Company could, at its option, repay the promissory notes in whole or in part in multiples of HK$1 million by giving a prior ten business days' written notice to the vendor, commencing on the date three months after the completion date of acquisition in 2006 and up to the date immediately prior to the maturity date. There will not be any premium or discount to the payment obligations under the promissory notes for any early repayment.
Assignment:	With the prior notification to the Company, the promissory notes may be transferred or assigned by the holder(s) of the promissory notes. The promissory notes are not transferable to any connected persons of the Company.

The promissory notes contain two components, liability and the issuer's early repayment option.

The fair value of the early repayment option of the promissory notes was considered as insignificant at the date of issue and at the end of the reporting period.

25. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each				
At 31st December, 2010	60,000,000	600,000	999,600	9,996
Issue of new shares pursuant to placing and subscription arrangements *(note 1)*	–	–	439,820	4,398
At 31st December, 2011	60,000,000	600,000	1,439,420	14,394
Issue of new shares pursuant to placing arrangements *(note 2)*	–	–	632,884	6,329
At 31st December, 2012	60,000,000	600,000	2,072,304	20,723

25. SHARE CAPITAL (continued)

Notes:

1. On 30th March, 2011, arrangements were made for a placement to independent private investors of 199,920,000 shares of HK$0.01 each in the Company held by the existing shareholder, Ever Achieve Enterprises Limited ("Ever Achieve"), at a placing price of HK$0.235 per share representing a discount of approximately 18.97% to the closing market price of the Company's shares on 30th March, 2011. The placement was completed on 4th April, 2011.

   Pursuant to a subscription agreement of 30th March, 2011, Ever Achieve subscribed for 199,920,000 new shares of HK$0.01 each in the Company at a subscription price of HK$0.235 per share. The subscription was completed on 8th April, 2011. The proceeds were used to provide additional working capital for the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 9th June, 2010 and rank pari passu with other shares in issue in all respects.

   On 12th July, 2011, an arrangement was made for a placement to independent private investors of 239,900,000 new shares of HK$0.01 each in the Company at a price of HK$0.199 per share representing a discount of approximately 17.08% to the closing market price of the Company's shares on 12th July, 2011. The placement was completed on 21st July, 2011. The proceeds were used to provide additional working capital for the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 27th May, 2011 and rank pari passu with other shares in issue in all respects.

2. On 19th April, 2012, an arrangement was made for a placement to independent private investors of 287,884,000 new shares of HK$0.01 each in the Company at a price of HK$0.108 per share representing a discount of approximately 16.92% to the closing market price of the Company's shares on 19th April, 2012. The placement was completed on 30th April, 2012. The proceeds were used to provide additional working capital for the Group. These new shares were issued under the general mandate granted to the directors at the special general meeting of the Company held on 2nd September, 2011 and rank pari passu with other shares in issue in all respects.

   On 21st September, 2012, an arrangement was made for a placement to independent private investors of 345,000,000 new shares of HK$0.01 each in the Company at a price of HK$0.125 per share. On 24th September, 2012, the Company and the placing agent entered into a supplemental placing agreement, under which the placing price has been adjusted to HK$0.135 per share representing a discount of approximately 10% to the closing market price of the Company's shares on 24th September, 2012. The placement was completed on 3rd October, 2012. The proceeds were used to provide additional working capital for the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 21st May, 2012 and rank pari passu with other shares in issue in all respects.

26. SHARE OPTION SCHEMES

The Company's share option scheme (the "Scheme"), was adopted pursuant to a shareholders' resolution passed on 9th January, 2006 for the purpose of providing incentives and rewards to eligible participants who contribute to the Group and will expire on 8th January, 2016.

Under the Scheme, the directors of the Company are authorised at their absolute discretion, to invite any person or group (the "Eligible Participant"), who is eligible to participate in the Scheme, to take up options to subscribe for shares of the Company (the "Share(s)"), at a price equal to the highest of: (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of offer; (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (3) the nominal value of a Share.

Options granted must be taken up not later than 21 days after the date of offer. The exercise period for the share options granted is determinable by the Directors, which may not expire later than 10 years from the date of offer of the option, and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of the date on which such option lapses under the early termination or cancellation provisions under the Scheme or 10 years from the offer date of the option. A price of HK$1.00 is payable by the Eligible Participant to the Company on acceptance of the offer of the option.

26. SHARE OPTION SCHEMES (continued)

The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the limit. The Scheme Mandate Limit (as defined below) under the Scheme was refreshed and renewed by an ordinary resolution passed by the shareholders at a special general meeting held on 2nd September, 2011 which enabled the grant of further share options to subscribe up to 143,942,000 Shares (the "Scheme Mandate Limit"), representing 10% of the Shares in issue as at the said date.

The Company may seek approval of its shareholders in general meeting to refresh the Scheme Mandate Limit subject to requirements under Chapter 17 of the Listing Rules provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the limit. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time.

As at the end of the reporting period, no share options have been granted by the Company since the adoption of the Scheme.

27. AMOUNT DUE TO NON-CONTROLLING INTERESTS OF A SUBSIDIARY

The carrying amount with principal amount of HK$27,998,000 (2011: HK$27,998,000) is unsecured and interest-free and will not be demanded for repayment within twelve months from the end of the reporting period, and accordingly, the amount is shown as non-current.

During the year ended 31st December, 2012, the Group recognised interest expense of HK$3,402,000 (2011: HK$3,402,000) at the effective interest rate of 13.8% (2011: 13.8%) per annum.

As at 31st December, 2012, the Group agreed with the non-controlling interests of a subsidiary that the amount would not be repayable within twelve months from 31st December, 2012. The outstanding amount was therefore discounted to its fair value using the market interest rate of 13.8% (2011: 13.8%) per annum for one year, resulting in an adjustment of HK$3,402,000 (2011: HK$3,402,000) which has been credited to non-controlling interests in 2012.

The fair value of the amount due to non-controlling interests of a subsidiary at 31st December, 2012 by using the market interest rate of 13.8% (2011: 13.8%) per annum was HK$24,594,000 (2011: HK$24,594,000).

28. DEFERRED TAX LIABILITIES

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior years.

	Tax losses HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1st January, 2011	687	(1,015)	(328)
(Charge) credit for the year	(267)	595	328
At 31st December, 2011	420	(420)	–
(Charge) credit for the year	(219)	219	–
At 31st December, 2012	201	(201)	–

28. DEFERRED TAX LIABILITIES (continued)

For the purpose of presentation in the consolidated statement of financial position, the deferred tax assets and liabilities have been offset.

At the end of the reporting period, the Group has deductible temporary difference of HK$57,752,000 (2011: HK$Nil) in respect of which no deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, the Group has unused tax losses of HK$200,456,000 (2011: HK$53,810,000) available for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$1,216,000 (2011: HK$2,545,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$199,240,000 (2011: HK$51,265,000) due to the unpredictability of future profit streams.

29. PLEDGE OF ASSETS

As at 31st December, 2012, bank facilities to the extent of HK$3,500,000 (2011: HK$3,500,000) of the Group were secured by bank deposits amounting to HK$3,500,000 (2011: HK$3,500,000). The amount utilised at 31st December, 2012 was approximately HK$3,480,000 (2011: approximately HK$3,190,000).

As at 31st December, 2012, bank deposits of HK$75,218,000 (2011: HK$75,218,000) are pledged to a bank which provides bank guarantee in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

30. SETTLEMENT OF A LEGAL CASE

In 2011, two subsidiaries of the Group had dispute with a customer over the handling of the customer's goods. As against the two subsidiaries, the customer alleged that in the course of business, certain goods to which it claimed ownership were not delivered on demand, and claimed damages of goods and compensation for other losses. On 3rd August, 2012, order was made by the Deputy High Court in Hong Kong to settle the case. Accordingly, the Group has fully settled for the legal costs and compensation of HK$4,703,000 to the customer for the year ended 31st December, 2012.

31. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of cold storage warehouses, office premises and premises for the operation of karaoke outlets and related services in the PRC in the future which fall due as follows:

	2012 HK$'000	2011 HK$'000
Within one year	**88,148**	86,777
In the second to fifth year inclusive	**166,171**	251,879
Over five years	**4,645**	11,109
	258,964	349,765

Included in the above, the major lease contracts are negotiated for terms of fourteen years commencing from February 2005 and can be terminated by providing one year notice after the first ten years of tenancy. Monthly rentals are fixed up to February 2014 and rentals subsequent to February 2014 will be adjusted based on the relevant terms of the leases.

31. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

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

	2012 **HK$'000**	2011 HK$'000
Within one year	**758**	–
In the second to fifth year inclusive	**1,682**	–
	2,440	–

32. CAPITAL COMMITMENTS

	2012 **HK$'000**	2011 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**9,123**	60,287

33. ACQUISITION OF A SUBSIDIARY

On 15th March, 2011, the Group acquired 100% of the share capital of Rich Bright International Limited and its subsidiary ("Rich Bright") for a cash consideration of HK$900,000. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$323,000. Rich Bright was acquired for the operation of trading of wine in the PRC in the future.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	17
Other receivables	54
Bank balances and cash	508
Other payables	(2)
	577

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	900
Less: net assets acquired	(577)
Goodwill arising on acquisition	323

33. ACQUISITION OF A SUBSIDIARY (continued)

Net cash outflow on acquisition

	HK$'000
Cash consideration paid	900
Less: cash and cash equivalent balances acquired	(508)
	392

The revenue and financial results attributable to Rich Bright for the year ended 31st December, 2011 is not significant to the Group.

34. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees including directors in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of the independent trustee. The scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the Scheme.

In addition to the mandatory contribution of 5% of the payroll costs (limited to HK$1,250 since June 2012 (2011:HK$1,000) per each employee), the Group voluntary contributes 1% to 5%, depends on the year of service of the employee, to the MPF scheme.

Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated statement of comprehensive income of HK$6,875,000 (2011: HK$2,115,000) represents contributions payable to the MPF Scheme and the state-managed retirement benefit schemes, there were no (2011: Nil) forfeited contributions available to reduce future contributions at the end of the reporting period.

35. RELATED PARTY TRANSACTIONS

During the year, the Group did not enter into any transactions with its related parties.

The key management of the Group comprises all directors and the senior management, details of their remuneration are disclosed in note 11. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance.

The capital structure of the Group consists of debts, which includes the promissory notes and amount due to non-controlling interests of a subsidiary disclosed in notes 24 and 27 respectively and equity attributable to owners of the Company, comprising issued capital, share premium, reserves and retained profits as disclosed in consolidated statement of changes in equity.

The directors of the Company reviews the capital structure on a semi-annual basis. As a part of this review, the committee considers the cost of capital and the risks associated with the issued share capital. Based on recommendations of the committee, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

The Group's overall strategy remains unchanged from 2011.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Fair value through profit or loss (FVTPL)	**8,207**	7,077
Held for trading investments	**877**	601
Loans and receivables (including cash and cash equivalents)	**245,284**	279,756
Available-for-sale financial assets	**43,620**	53,620
Financial liabilities		
At amortised cost	**94,841**	56,989

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, trade and other receivables, loans to an investee, financial assets at fair value through profit or loss, pledged bank deposits, held for trading investments, bank balances and cash, trade and other payables, promissory notes and amount due to non-controlling interests of a subsidiary. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

37. FINANCIAL INSTRUMENTS (continued)

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

Market risk

(i) Currency risk

The Group has financial assets at fair value through profit or loss denominated in United States dollars relative to Hong Kong dollars, the functional currency of the relevant group entities. Therefore, the Group is exposed to foreign exchange risk.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to pledged bank deposits and bank balances at floating interest rate. The Group currently does not have any hedging policy against interest rate risk and will consider should the needs arise.

(iii) Price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Since the currency risk, interest rate risk and price risk are not significant, no sensitivity analysis is presented accordingly.

Credit risk

As at 31st December, 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group has concentration of credit risk as 26% (2011: 36%) and 64% (2011: 68%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the cold storage and related services segment. In order to minimise the concentration risk, the management of the Group has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In addition, the Group is exposed to the credit risk on the loans to an investee as mentioned in note 17. At 31st December, 2012, the Group re-assessed the future repayment schedule of the outstanding loans and considered the repayment of the loans will commence from 2016 onwards after taking into account the financial ability of the investees and the project development plan. The repayment schedule has changed to be in five yearly instalments in 2012. In view of good net asset position of the investee, the directors of the Company consider that the default risks of the investee is not significant to the Group.

The credit risk on liquid funds are limited because the counterparties are banks with good reputation.

37. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and will continuously monitor the forecast and actual cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	6 months or less HK$'000	6–12 months or less HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2012								
Non-interest bearing	–	48,093	–	–	–	12,218	60,311	60,311
Finance lease obligations								
— fixed rate	3.7	205	205	359	–	–	769	722
Promissory notes	7.5	–	10,000	5,000	10,000	–	25,000	22,154
Amount due to non-controlling interests of a subsidiary	13.8	–	–	27,998	–	–	27,998	24,594
		48,298	10,205	33,357	10,000	12,218	114,078	107,781

	Weighted average effective interest rate %	6 months or less HK$'000	6–12 months or less HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2011								
Non-interest bearing	–	11,673	–	–	–	8,318	19,991	19,991
Finance lease obligations								
— fixed rate	3.7	205	205	410	359	–	1,179	1,071
Promissory notes	7.5	–	5,000	5,000	15,000	–	25,000	20,722
Amount due to non-controlling interests of a subsidiary	13.8	–	–	27,998	–	–	27,998	24,594
		11,878	5,205	33,408	15,359	8,318	74,168	66,378

37. FINANCIAL INSTRUMENTS (continued)

(c) Fair value

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

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

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

	2012			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss	**–**	**8,207**	**–**	**8,207**
Held for trading investments	**877**	**–**	**–**	**877**

	2011			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	7,077	–	7,077
Held for trading investments	601	–	–	601

Other than set out in notes 17, 18, 24 and 27, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

38. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ operation	Issued and paid-up registered capital	Proportion of ownership interest held by the Company 2012	2011	Principal activities
Direct subsidiary:					
Daido (BVI) Limited	British Virgin Islands	US$2 Ordinary shares	**100%**	100%	Investment holding
Indirect subsidiary:					
Brilliant Cold Storage Management Limited	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Provision of cold storage and related services
Brilliant Gold International Limited	British Virgin Islands	US$1,000 Ordinary shares	**75%**	75%	Investment holding
Brilliant Top In Logistics Limited	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Provision of cold storage and related services
Diamond Sparkling Limited	Hong Kong	HK$10 Ordinary shares	**100%**	100%	Sub-leasing of investment properties
Lubrano Properties Limited	British Virgin Islands	US$50,000 Ordinary shares	**100%**	100%	Investment holding
寶號投資管理（深圳）有限公司	PRC*	RMB6,000,000 Registered and paid-up capital	**99%**	99%	Corporation consultancy services
寶聲源娛樂（淮安）有限公司	PRC*	HK$17,000,000 Registered capital HK$4,934,337 Paid-up capital	**99%**	99%	Provision of karaoke services
光采聲娛樂（上海）有限公司	PRC*	HK$17,500,000 Registered capital HK$4,235,437 Paid-up capital	**99%**	–	Provision of karaoke services
樂聲盈娛樂（上海）有限公司	PRC*	HK$15,000,000 Registered capital HK$5,360,375 Paid-up capital	**99%**	–	Provision of karaoke services

38. PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ operation	Issued and paid-up registered capital	Proportion of ownership interest held by the Company 2012	2011	Principal activities
Indirect subsidiary: (continued)					
光寶號娛樂（上海）有限公司	PRC*	HK$9,650,000 Registered capital HK$3,457,741 Paid-up capital	**99%**	–	Provision of karaoke services
薈金聲娛樂（上海）有限公司	PRC*	HK$15,000,000 Registered capital HK$4,880,375 Paid-up capital	**99%**	–	Provision of karaoke services
薈源聲娛樂（上海）有限公司	PRC*	HK$15,000,000 Registered capital HK$8,310,375 Paid-up capital	**99%**	–	Provision of karaoke services
聲津源娛樂（上海）有限公司	PRC*	HK$12,000,000 Registered capital HK$4,690,300 Paid-up capital	**99%**	–	Provision of karaoke services
天星樂娛樂（上海）有限公司	PRC*	HK$12,000,000 Registered capital HK$4,670,300 Paid-up capital	**99%**	–	Provision of karaoke services
寶聲薈娛樂（上海）有限公司	PRC*	HK$15,000,000 Registered capital HK$3,910,375 Paid-up capital	**99%**	–	Provision of karaoke services
樂聲域娛樂（上海）有限公司	PRC*	HK$17,500,000 Registered capital HK$4,585,437 Paid-up capital	**99%**	–	Provision of karaoke services
聲映匯娛樂（上海）有限公司	PRC*	HK$8,000,000 Registered capital HK$1,200,323 Paid-up capital	**99%**	–	Provision of karaoke services

38. PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ operation	Issued and paid-up registered capital	Proportion of ownership interest held by the Company 2012	2011	Principal activities
Indirect subsidiary: (continued)					
聲滿天娛樂（上海）有限公司	PRC*	HK$8,000,000 Registered capital HK$1,200,323 Paid-up capital	**99%**	–	Provision of karaoke services
聲之源娛樂（上海）有限公司	PRC*	HK$12,000,000 Registered capital HK$1,800,484 Paid-up capital	**99%**	–	Provision of karaoke services
湘潭寶聲樂娛樂有限公司	PRC*	HK$15,000,000 Registered capital HK$2,250,048 Paid-up capital	**99%**	–	Provision of karaoke services
長沙星寶號娛樂有限公司	PRC*	HK$15,000,000 Registered capital HK$2,250,000 Paid-up capital	**99%**	–	Provision of karaoke services
寶之泓娛樂發展（北京）有限公司	PRC*	HK$12,000,000 Registered capital HK$1,800,020 Paid-up capital	**99%**	–	Provision of karaoke services
吉首樂聲匯娛樂有限公司	PRC*	HK$12,000,000 Registered capital HK$1,800,000 Paid-up capital	**99%**	–	Provision of karaoke services
豐泓企業管理諮詢（深圳）有限公司	PRC#	HK$8,000,000 Registered and paid-up capital	**100%**	–	Corporation consultancy services
盈豐泓餐飲（北京）有限公司	PRC#	HK$750,000 Registered and paid-up capital	**100%**	–	Food & Beverage
盛豐泓餐飲（上海）有限公司	PRC#	HK$750,000 Registered and paid-up capital	**100%**	–	Food & Beverage

38. PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ operation	Issued and paid-up registered capital	Proportion of ownership interest held by the Company 2012	2011	Principal activities
Indirect subsidiary: (continued)					
威盛豐餐飲管理（上海）有限公司	PRC#	HK$18,000,000 Registered capital HK$4,590,000 Paid-up capital	**100%**	–	Food & Beverage
泓兆盈餐飲管理（上海）有限公司	PRC#	HK$12,000,000 Registered capital HK$2,540,000 Paid-up capital	**100%**	–	Food & Beverage
津祿餐飲管理（上海）有限公司	PRC#	HK$4,000,000 Registered capital HK$600,000 Paid-up capital	**100%**	–	Food & Beverage
味美谷餐飲管理（上海）有限公司	PRC#	HK$4,000,000 Registered capital HK$740,000 Paid-up capital	**100%**	–	Food & Beverage
同富餐飲（上海）有限公司	PRC#	HK$12,000,000 Registered capital HK$2,200,000 Paid-up capital	**100%**	–	Food & Beverage
多樂福餐飲（淮安）有限公司	PRC#	HK$7,000,000 Registered capital HK$1,400,000 Paid-up capital	**100%**	–	Food & Beverage

* Sino foreign equity joint venture
\# Wholly foreign owned enterprise

None of the subsidiaries had issued any debt securities outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excess length.

39. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into a finance lease arrangement in respect of assets with a total capital value at the inception of the lease of HK$Nil (2011: HK$600,000).

In addition, the Group has recognised payable for acquisition of property, plant and equipment amounting to HK$21,301,000 (2011: HK$Nil) at the end of the reporting period.

40. EVENT AFTER THE REPORTING PERIOD

On 17th January, 2013, an arrangement was made for a placement to independent private investors of 360,000,000 new shares of HK$0.01 each in the Company at a price of HK$0.128 per share representing a discount of approximately 9.86% to the closing market price of the Company's shares on 17th January, 2013. The placement was completed on 25th January, 2013. The proceeds were used to provide additional working capital for the Group. These new shares were issued under the general mandate granted to the directors at the special general meeting of the Company held on 7th January, 2013 and rank pari passu with other shares in issue in all respects.

Financial Summary

	Year ended 31st December,				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**214,691**	172,793	178,080	155,236	169,292
(Loss) profit for the year	**(181,174)**	(81,242)	2,403	(6,455)	(109,826)

	As at 31st December,				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**422,420**	480,964	489,218	473,616	423,443
Total liabilities	**(113,386)**	(71,840)	(95,976)	(86,206)	(89,294)
	309,034	409,124	393,242	387,410	334,149
Attributable to:					
Owners of the Company	**294,797**	397,602	385,122	382,719	334,147
Non-controlling interests	**14,237**	11,522	8,120	4,691	2
	309,034	409,124	393,242	387,410	334,149

Financial Summary

INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2012 HK$'000	2011 HK$'000
Total assets		
Unlisted investments in subsidiaries	**49,939**	123,239
Amounts due from subsidiaries	**150,531**	233,701
Bank balances and cash	**4,143**	139
Other current assets	**583**	496
	205,196	357,575
Total liabilities		
Promissory notes	**22,154**	20,722
Amount due to a subsidiary	**2,179**	6,383
Other current liabilities	**658**	835
	24,991	27,940
	180,205	329,635
Total equity		
Share capital *(note 25)*	**20,723**	14,394
Reserves	**159,482**	315,241
	180,205	329,635

INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement in reserve

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(Note)*	Accumulated losses HK$'000	Convertible bond equity reserve HK$'000	Contributed surplus HK$'000	Total HK$'000
At 1st January, 2011	9,996	172,770	39,984	(48,400)	8,147	84,239	266,736
Loss for the year	–	–	–	(30,430)	–	–	(30,430)
Total comprehensive expense for the year	–	–	–	(30,430)	–	–	(30,430)
Issues of shares pursuant to placing and subscription arrangements	4,398	90,323	–	–	–	–	94,721
Transaction costs attributable to issue of new shares	–	(1,392)	–	–	–	–	(1,392)
Released upon expiry of convertible bonds	–	–	–	8,147	(8,147)	–	–
At 31st December, 2011	14,394	261,701	39,984	(70,683)	–	84,239	329,635
Loss for the year	–	–	–	(226,278)	–	–	(226,278)
Total comprehensive expense for the year	–	–	–	(226,278)	–	–	(226,278)
Issues of shares pursuant to placing arrangements	6,329	71,338	–	–	–	–	77,667
Transaction costs attributable to issue of new shares	–	(819)	–	–	–	–	(819)
At 31st December, 2012	20,723	332,220	39,984	(296,961)	–	84,239	180,205

Note: On 24th November, 2009, every five issued and unissued existing shares of HK$0.01 each in share capital of the Company consolidated into one consolidated share of HK$0.05 (the "Share Consolidation"). After completion of Share Consolidation, the par value of each issued consolidated share is reduced from HK$0.05 to HK$0.01 by cancelling the paid up capital to the extent of HK$0.04 on each issued consolidated share (the "Capital Reduction") and the credit arising in the accounts of the Company from the Capital Reduction was credited to capital reserve account of the Company on 18th December, 2009.