大中華實業控股有限公司

# GREATER CHINA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 431

Annual Report 2013

# Contents

# Corporate Information

## Executive Directors

Ms. Ma Xiaoling *(Chairman)*
Ms. Chan Siu Mun

## Non-executive Director

Mr. Chan Sze Hon

## Independent Non-executive Directors and Audit Committee

Mr. Ching Men Ky, Carl
Mr. Lin Ruei Min
Mr. Shu Wa Tung, Laurence

## Company Secretary

Ms. Chan Siu Mun

## Auditor

HLM CPA Limited
Certified Public Accountants

## Principal Bankers

Bank of China
Shanghai Pudong Development Bank Company Limited
Taicang Rural Commercial Bank

## Legal Advisors

Sit, Fung, Kwong & Shum
Michael Cheuk, Wong & Kee

## Head Office and Principal Place of Business

Rooms 1013 & 15, 10/F
Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

## Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

## Principal Share Registrars and Transfer Office

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

## Hong Kong Branch Share Registrars and Transfer Office

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## Stock Code

431

## Website

http://www.irasia.com/listco/hk/greaterchina/index.htm

# Chairman's Statement

On behalf of the board of directors (the "Board") of Greater China Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I would like to present the annual report for the year ended 31 December 2013.

## Review of Operations

The Group continued to engage in the operation of warehouse storage service and general trading. The warehouse storage income remains stable with slight growth. During the year, we temporarily suspended the general trading business in the second half of the year with the aim to review the existing operation and find solutions to improve the profitability of this segment in the future.

At the same time, the Group as a whole continued to implement cost control and the administrative expenses are further reduced as a result. All these contributed to a decrease in the loss of Group as compared to the previous year.

## Prospects

As announced in January 2014, the Group has signed a Letter of Intent (the "LOI") with an investor to dispose of the 85% equity interest of a subsidiary in Taicang and we are actively negotiating with the investors to enter into a formal agreement with regard of this transaction. In the meantime, we are optimistic in concluding a formal agreement which is believed to be beneficial to the Company. Once a formal agreement is concluded, we will make appropriate announcement to the shareholders.

We would also explore and identify all possible solutions to reduce the borrowings and the cost of financing in order to improve the financial position of the Group as a whole.

## Appreciation

On behalf of the Board, I would like to take this opportunity to thank our staff for their diligence, dedication, loyalty and integrity towards the Group especially in this difficult moment. I would also like to express my gratitude to our shareholders, customers and other business partners for their trust and continued support to the Group.

**Ma Xiaoling**
*Chairman*
Hong Kong

28 March 2014

# Management Discussion and Analysis

## BUSINESS REVIEW

For the year ended 31 December 2013, turnover of the Group amounted to HK$32,963,000 (2012: HK$118,337,000) which comprised of revenue from general trading segment of HK$21,434,000 (2012: HK$108,667,000) and revenue from industrial property development segment of HK$11,529,000 (2012: HK$9,670,000).

At the same time, the loss for the year was reduced from HK$43,907,000 for the year ended 31 December 2012 to HK$30,125,000 for the year ended 31 December 2013. Such reduction in loss is due to the decrease in operating loss of the general trading business and a decrease in the overall expenses of the Group as a result of the cost control measures taken place during the year.

The significant decrease in revenue from general trading segment is a combined result of the continued decrease in demand for raw materials such as electronic parts, metal materials, etc. and a temporary suspension of the general trading business within the Group. With the aim to improve the operating loss situation in the general trading operation, the management has stopped the existing operation in the second half of 2013 and re-directed the resources to identify solutions to improve the profitability in future.

The industrial property development operation, on the other hand, remained stable with slight increase due to the upward adjustment in the rate as a result of the renewal of service contracts with certain customers during the year.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 31 December 2013, the Group has current ratio of approximately 0.55 (2012: 0.40) and the gearing ratio of the Group was 1.76 (2012: 1.23). The calculation of gearing ratio was based on the total borrowings of HK$230,155,000 (2012: HK$192,732,000) and the equity attributable to owners of HK$130,903,000 (2012: HK$157,310,000).

Capital commitment in respect of the acquisition and construction of property, plant and equipment amounted to HK$2,893,000 (2012: HK$2,813,000).

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are mainly in Hong Kong dollars and Renminbi.

## PROSPECTS

As mentioned before, the general trading business is temporarily suspended in order to re-direct resources to identify solutions to improve the profitability in the coming year including but not limited to actively negotiate with our bankers for better terms in trade finance and broaden our existing client base to improve the profit margin. The management will continue to closely monitor the operation and work on improving the profitability in the years to come.

Meanwhile, the management remains optimistic on the industrial property development segment which mainly involves the warehouse rental and management service. The warehouse is currently 100% utilised and the customers are very stable.

In January 2014, the Group has announced the signing of the Letter of Intent (the "LOI") with an investor to dispose of the 85% equity interest of a subsidiary at Taicang and a deposit of RMB 10,000,000 was received. The negotiation of this transaction is still undergoing and the management targeted to finalise the terms and enter into a formal sale and purchase agreement in this year. If the transaction is completed, the financial position of the Group will be improved and the indebtedness will be reduced as a whole.

## CHARGES ON ASSETS

As at 31 December 2013, prepaid lease payments, warehouse and bank deposits with the aggregate carrying amounts of HK$85,420,000 (2012: HK$85,038,000), HK$142,475,000 (2012: HK$149,362,000) and HK$88,765,000 (2012: HK$44,902,000) respectively were pledged against bank loans and bills payables granted to the Group.

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2013.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group has approximately 40 employees. Remuneration is determined by reference to their respective qualifications and experience and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme.

# Biographical Details of Directors

## Executive Directors

**Ms. Ma Xiaoling**, aged 38, is the Chairman of the Company since July 2005. Ms. Ma graduated from Lanzhou Commercial College in the People's Republic of China (the "PRC") in 1998 majoring in International Trade and obtained a Bachelor Degree in Economics. Ms. Ma has over 10 years of experience in property development and investments in the PRC and Hong Kong. Ms. Ma is the sole director and beneficial owner of Keenlead Holdings Limited, which is the controlling shareholder of the Company.

**Ms. Chan Siu Mun**, aged 39, was appointed as an executive director of the Company since March 2008. Ms. Chan holds a Bachelor of Business Administration (Accounting and Finance) degree from the University of Hong Kong. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Chan has over 15 years of experience in auditing, accounting and financial management. Before joining the Company, she worked in an international professional audit firm and a number of listed companies.

## Non-executive Director

**Mr. Chan Sze Hon**, aged 40, was appointed as an executive director of the Company in July 2005 and re-designated to non-executive director since October 2008. Mr. Chan is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Chan holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and a Master Degree in Corporate Finance from the Hong Kong Polytechnic University. He has over 18 years of experience in accounting and financial management and had worked for an international accounting firm in Hong Kong for over 8 years.

Mr. Chan was also an executive director of Fantasia Holdings Group Company Limited, a company listed on the Main Board of the Stock Exchange from 7 September 2009 to 30 November 2012 and an independent non-executive director of ERA Mining Machinery Limited ("ERA"), a company listed on the Growth Enterprise Market (the "GEM Board") of the Stock Exchange from 25 February 2008 to 8 June 2012. ERA was delisted in 2012. During the period from 5 December 2007 to 23 November 2011, Mr. Chan was an independent non-executive director of China Mining Resources Group Limited, a company listed on the Main Board of the Stock Exchange and during the period from 7 September 2007 to 10 January 2012. Mr. Chan was an independent non-executive director of EDS Wellness Holdings Limited, a company listed on the GEM Board of the Stock Exchange.

# Biographical Details of Directors

## Independent Non-executive Directors

**Mr. Ching Men Ky, Carl**, aged 69, appointed in August 2005 and serves on the Audit Committee of the Company, graduated from Tak Ming College with a Bachelor Degree in Business and was awarded with an Honorable Doctorate Degree from Beijing International Business School in the PRC. Mr. Ching has years of experience in business management. He has also been participating in various social activities and has been acting as the director of United World Chinese Association Limited and the director of Asian Professional Basketball Management and Development Company Limited.

**Mr. Lin Ruei Min**, aged 70, appointed in August 2005 and serves on the Audit Committee of the Company, graduated from the Department of Politics of Fu Hsing Kang College in Taiwan. Mr. Lin is currently the Chief Consultant of an asset management consultant company in Taiwan. He is the founder of Taiwan branch of United World Chinese Association Limited.

**Mr. Shu Wa Tung, Laurence**, aged 41, appointed in August 2005 and serves on the Audit Committee of the Company, graduated from Deakin University in Australia with a Bachelor Degree in Business majoring in Accounting. Mr. Shu is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a CPA member of CPA Australia. He has over 10 years of experience in audit, corporate finance and corporate advisory services. Mr. Shu was an independent non-executive director of Perception Digital Holdings Limited, a company listed on the Main Board of the Stock Exchange, from 18 September 2009 to 7 May 2013, and HL Technology Group Limited, a company listed on the Main Board of the Stock Exchange from 25 October 2010 to 29 May 2013.

# Corporate Governance Report

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognised the importance of the transparency and accountability towards the shareholders. It is the belief of the Board that shareholders can maximise their benefits from good corporate governance.

## Code on Corporate Governance Practices

During the year under review, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, except for the following deviations:

– Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

  Ms. Ma Xiaoling ("Ms. Ma") is the chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals and meets regularly to discuss issues affecting the operations of the Company. The Board believes that this structure is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Ms. Ma and believes that her appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

– Code A.4.1 stipulates that non-executive directors of the Company should be appointed for specific terms and subject to re-election.

  The non-executive director and the independent non-executive directors of the Company were not appointed for any specific terms, as they are subject to retirement by rotation at the Company's annual general meeting in accordance with the Company's Bye-laws.

– Code A.5 stipulates that a nomination committee should be established to make recommendations to the Board on the appointment and reappointment of directors.

  The Board as a whole is responsible for the appointment of its own members. The Board does not establish a nomination committee and is not considering to establish the same in view of the small size of the Board. The chairman of the Board is responsible for identifying appropriate candidate and proposing qualified candidate to the Board for consideration. The Board will review profiles of the candidate recommended by the chairman and make recommendation of the appointment, re-election and retirement of the directors. Candidates are appointed to the Board on the basis of their skill, competence and experience that they can contribute to the Company.

## The Board

The Board comprises two executive directors, being Ms. Ma Xiaoling (Chairman), and Ms. Chan Siu Mun, one non-executive director, being Mr. Chan Sze Hon and three independent non-executive directors, being Mr. Ching Men Ky Carl, Mr. Lin Ruei Min and Mr. Shu Wa Tung Laurence.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence across the Board.

The non-executive director and the independent non-executive directors are persons of high caliber with academic and professional qualifications in the area of accounting, financial, management and various business field which provide the Group with a wide range of valuable expertise. With their experience gained from senior positions held in other organisations, they provide strong support towards the effective discharge of the duties and responsibilities of the Board.

The Company has received an annual confirmation of independence from each of the independent non-executive directors. The Company is of the view that all the independent non-executive directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances, but the day-to-day management is delegated to the two executive directors, Ms. Ma Xiaoling and Ms. Chan Siu Mun. Ms. Ma as Chairman and Chief Executive Officer heads the Board and implements the strategies and polices approved by the Board whilst Ms. Chan is responsible for the operations of the Group, in particular the finance function.

The list of directors of the Company and their roles and functions is posted on the website of the Company and the Stock Exchange.

## Directors' Training and Professional Development

The Company is responsible for arranging and funding suitable training for the directors and individual directors also participated in courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or via online aids or reading relevant materials. The company secretary of the Company continuously updates all directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

## Board Meeting

The Board held 4 meetings during the year of 2013. The individual attendance record is as follows:

| Directors | Number of attendance |
|---|---|
| *Executive directors:* | |
| Ms. Ma Xiaoling | 4/4 |
| Ms. Chan Siu Mun | 4/4 |
| *Non-executive director:* | |
| Mr. Chan Sze Hon | 4/4 |
| *Independent non-executive directors:* | |
| Mr. Ching Men Ky, Carl | 4/4 |
| Mr. Lin Ruei Min | 4/4 |
| Mr. Shu Wa Tung, Laurence | 4/4 |

Directors have timely access to relevant information prior to each board meeting. Directors are given the opportunity to include matters in the agenda for regular board meetings while Directors are entitled to have access to board papers and related materials to allow them to make informed decisions on matters arising from board meetings.

Minutes of board meetings and meetings of other committees are kept by the Company Secretary and are open for inspection by directors.

## Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all directors whether the directors have complied with the required standard set out in the Model Code regarding directors' securities transactions and all directors confirmed that they have complied with the Model Code.

## Audit Committee

The Company has established an audit committee in compliance with the Listing Rules to fulfil the functions of reviewing and monitoring the financial reporting and internal control of the Company. The audit committee of the Company currently comprises three independent non-executive directors, including Mr. Ching Men Ky, Carl ("Mr. Ching"), Mr. Lin Ruei Min ("Mr. Lin") and Mr. Shu Wa Tung, Laurence ("Mr. Shu"). The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the audited financial statements of the Group for the year ended 31 December 2013.

The audit committee meets twice during the year. The individual attendance record is as follows:

| Directors | Number of attendance |
|---|---|
| Mr. Ching Men Ky, Carl | 2/2 |
| Mr. Lin Ruei Min | 2/2 |
| Mr. Shu Wa Tung, Laurence | 2/2 |

## Remuneration Committee

The Board has established a remuneration committee. The remuneration committee, currently comprising executive directors, Ms. Ma and Ms. Chan Siu Mun, non-executive director, Mr. Chan Sze Hon, and independent non-executive directors, Mr. Ching, Mr. Lin and Mr. Shu, is responsible for advising the Board on the remuneration policy and framework of the Company's directors and senior management members, as well as review and determine the remuneration of all executive directors and senior management members with reference to the Company's objectives from time to time.

## Auditor's Remuneration

For the year ended 31 December 2013, the total remuneration in respect of audit services paid and payable to the Company's auditor, HLM CPA Limited, amounted to HK$500,000. Non-audit service fee in relation to interim review of financial statements of the Company and its Subsidiaries for the six months ended 30 June 2013 paid to the Company's auditor amounted to HK$100,000.

# Directors' Report

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

## Principal Activities

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

## Results and Appropriations

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 19.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: nil).

## Five Year Financial Summary

A Summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 88 of the annual report.

## Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

## Share Capital

Details of the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

## Purchase, Sale and Redemption of the Listed Securities

During the year, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

## Major Customers and Suppliers

The aggregate sales attributable to the Group's largest customer and the five largest customers accounted for approximately 65% and 100% of the Group's total revenue for the year respectively. The largest supplier and the five largest suppliers accounted for approximately 100% and 100% of the Group's purchases respectively.

None of the directors, their associates, or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest suppliers or customers.

## Directors

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

**Executive Directors:**

Ms. Ma Xiaoling *(Chairman)*
Ms. Chan Siu Mun

**Non-executive Director:**

Mr. Chan Sze Hon

**Independent Non-executive Directors:**

Mr. Ching Men Ky, Carl
Mr. Lin Ruei Min
Mr. Shu Wa Tung, Laurence

In accordance with clauses 99(A) and 99(B) of the Company's Bye-laws, Ms. Chan Siu Mun and Mr. Lin Ruei Min will retire and, being eligible, offer themselves for re-election.

Independent non-executive directors are not appointed for a specific term. All directors (including non-executive director and independent non-executive directors) are subject to retirement by rotation in accordance with the Company's Bye-laws.

## Directors' Service Contracts

No directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

# Directors' Report

## Directors' Interests in Shares

As at 31 December 2013, the interests of the directors and chief executive of the Company in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

### Long positions

| Name | Nature of interest | Number of shares held | Percentage to issued share capital |
|---|---|---|---|
| Ms. Ma Xiaoling | Corporate interests (Note) | 120,212,256 | 40.09% |

Note: Ms. Ma Xiaoling is the beneficial owner of the entire issued share capital of Keenlead Holdings Limited, which owned 120,212,256 shares in the Company as at 31 December 2013.

Save as disclosed above, as at 31 December 2013, none of the directors and chief executive of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

## Arrangements to Purchase Shares or Debentures

Other than the share option scheme as disclosed in note 28 to the consolidated financial statements, 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.

## Directors' Interests in Contracts of Significance

No 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.

## Interests of Substantial Shareholders

So far as is known to the directors, as at 31 December 2013, the following shareholders had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

| **Name** | Note(s) | **No. of shares held** | **Percentage to issued share capital** |
|---|---|---|---|
| Keenlead Holdings Limited | 1 | 120,212,256 | 40.09% |
| Ms. Ma Xiaoling | 1 | 120,212,256 | 40.09% |
| Mr. Min Shao An | | 16,500,000 | 5.50% |

Notes:

1. The entire issued share capital of Keenlead Holdings Limited is wholly and beneficially owned by Ms. Ma Xiaoling.

Save as disclosed above, the Company has not been notified of any other shareholders who had any interest or short position in the shares and underlying shares of the company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company as at 31 December 2013.

## Emolument Policy

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

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

The Company has adopted a share option scheme as an incentive to the directors and eligible employees, details of the scheme is set out in note 28 to the consolidated financial statements.

# Directors' Report

## Pre-emptive Rights

There are no provision 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.

## Sufficiency of Public Float

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

## Auditors

The consolidated financial statements for the year ended 31 December 2011 was audited by HLM & Co.. On 25 January 2013, Messrs. HLM & Co. Certified Public Accountants resigned as the auditor of the Company and Messrs. HLM CPA Limited was appointed by the directors to fill the casual vacancy. The consolidated financial statements of the Group for the years ended 31 December 2012 and 2013 have been audited by Messrs. HLM CPA Limited. A resolution for their reappointment as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

**Ma Xiaoling**
*Chairman*

Hong Kong, 28 March 2014

恒健會計師行有限公司
**HLM CPA LIMITED**
**Certified Public Accountants**

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**TO THE MEMBERS OF GREATER CHINA HOLDINGS LIMITED**
大中華實業控股有限公司
*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Greater China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 87, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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.

# Independent Auditor's Report

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

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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of its 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.

## Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which indicates that the Group's current liabilities exceeded its current assets by HK$91,048,000 and the Group incurred a loss of HK$30,125,000 and had net cash outflow from operating activities of HK$82,497,000 for the year ended 31 December 2013. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As explained in note 2 to the consolidated financial statements, these consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to generate operating profits and positive cash flows, to renew its current banking facilities upon expiry, to dispose of certain of its assets, to obtain further financial support to be provided by its ultimate holding company to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. These consolidated financial statements do not include any adjustments that would result from the failure to achieve any of these actions.

**HLM CPA Limited**
*Certified Public Accountants*
**HO PAK TAT**
*Practising Certificate Number: P05215*
Hong Kong

28 March 2014

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

| | Notes | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|---|
| Revenue | 8 | **32,963** | 118,337 |
| Cost of sales | | **(21,544)** | (108,924) |
| Gross profit | | **11,419** | 9,413 |
| Other income | 10 | **3,977** | 1,656 |
| Other gains and losses | 11 | **285** | (1,649) |
| Selling and distribution costs | | **(659)** | (106) |
| Administrative and other operating expenses | | **(29,416)** | (33,002) |
| Finance costs | 12 | **(15,731)** | (20,219) |
| Loss before tax | | **(30,125)** | (43,907) |
| Income tax expense | 13 | **–** | – |
| **Loss for the year** | | **(30,125)** | (43,907) |
| **Other comprehensive income, net of tax** | | | |
| **Item that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translation of foreign operations | | **3,645** | 1,483 |
| **Total comprehensive expense for the year** | | **(26,480)** | (42,424) |
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(30,045)** | (43,817) |
| Non-controlling interests | | **(80)** | (90) |
| | | **(30,125)** | (43,907) |
| **Total comprehensive expense for the year attributable to:** | | | |
| Owners of the Company | | **(26,407)** | (42,337) |
| Non-controlling interests | | **(73)** | (87) |
| | | **(26,480)** | (42,424) |
| | | **HK cents** | HK cents |
| **Loss per share** | 18 | | |
| basic and diluted | | **(10.02)** | (14.61) |

# Consolidated Statement of Financial Position

**At 31 December 2013**

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 19 | **145,103** | 152,255 |
| Prepaid lease payments | 20 | **97,092** | 96,616 |
| Deposits for acquisition of land use rights | 21 | **37,015** | 35,988 |
| | | **279,210** | 284,859 |
| **Current assets** | | | |
| Trade and other receivables | 22 | **8,327** | 25,542 |
| Prepaid lease payments | 20 | **2,280** | 2,217 |
| Prepayments and deposits | 23 | **811** | 3,388 |
| Pledged bank deposits | 24 | **88,765** | 44,902 |
| Bank balances and cash | 24 | **9,106** | 8,046 |
| | | **109,289** | 84,095 |
| **Current liabilities** | | | |
| Trade payables | 25 | **59** | 91 |
| Other payables and accruals | 25 | **18,928** | 10,523 |
| Bills payables | | **–** | 87,967 |
| Bank loans | 26 | **173,092** | 104,765 |
| Tax payables | | **8,258** | 8,029 |
| | | **200,337** | 211,375 |
| **Net current liabilities** | | **(91,048)** | (127,280) |
| **Total assets less current liabilities** | | **188,162** | 157,579 |
| **Non-current liability** | | | |
| Bank loans | 26 | **57,063** | – |
| **Net assets** | | **131,099** | 157,579 |

# Consolidated Statement of Financial Position

**At 31 December 2013**

| | Notes | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 27 | **1,499** | 1,499 |
| Reserves | | **129,404** | 155,811 |
| Equity attributable to owners of the Company | | **130,903** | 157,310 |
| Non-controlling interests | | **196** | 269 |
| **Total equity** | | **131,099** | 157,579 |

The consolidated financial statements on pages 19 to 87 were approved and authorised for issue by the Board of Directors on 28 March 2014 and are signed on its behalf by:

**Ma Xiaoling**
*Director*

**Chan Siu Mun**
*Director*

# Consolidated Statement of Changes in Equity

**For the year ended 31 December 2013**

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital** HK$'000 | **Share premium** HK$'000 | **Translation reserve** HK$'000 | **Accumulated losses** HK$'000 | **Sub-total** HK$'000 | **Non-controlling interests** HK$'000 | **Total** HK$'000 |
| At 1 January 2012 | 1,499 | 379,281 | 32,103 | (213,236) | 199,647 | 356 | 200,003 |
| Loss for the year | – | – | – | (43,817) | (43,817) | (90) | (43,907) |
| Other comprehensive income | | | | | | | |
| – Exchange differences on translation of foreign operations | – | – | 1,480 | – | 1,480 | 3 | 1,483 |
| Total comprehensive expense for the year | – | – | 1,480 | (43,817) | (42,337) | (87) | (42,424) |
| At 31 December 2012 and 1 January 2013 | 1,499 | 379,281 | 33,583 | (257,053) | 157,310 | 269 | 157,579 |
| Loss for the year | – | – | – | (30,045) | (30,045) | (80) | (30,125) |
| Other comprehensive income | | | | | | | |
| – Exchange differences on translation of foreign operations | – | – | 3,638 | – | 3,638 | 7 | 3,645 |
| Total comprehensive expense for the year | – | – | 3,638 | (30,045) | (26,407) | (73) | (26,480) |
| **At 31 December 2013** | **1,499** | **379,281** | **37,221** | **(287,098)** | **130,903** | **196** | **131,099** |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2013

| | Notes | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss for the year | | **(30,125)** | (43,907) |
| Adjustments for: | | | |
| Finance costs | 12 | **15,731** | 20,219 |
| Interest income | 10 | **(3,970)** | (1,652) |
| Impairment loss on trade and other receivables | 11 | **–** | 5,677 |
| Impairment loss on prepayments and deposits | 11 | **–** | 76 |
| Amortisation and depreciation | 14 | **11,036** | 10,967 |
| Gain on disposal of property, plant and equipment | 11 | **(285)** | (1,225) |
| Operating cash flows before movements in working capital | | **(7,613)** | (9,845) |
| Decrease in inventories | | **–** | 1,747 |
| Decrease (increase) in trade and other receivables | | **20,581** | (29,192) |
| Decrease in prepayments and deposits | | **2,656** | 28,192 |
| Decrease in trade payables | | **(35)** | (1,895) |
| Increase (decrease) in other payables and accruals | | **7,715** | (26,951) |
| (Decrease) increase in bills payables | | **(90,477)** | 13,007 |
| **Cash used in operations** | | **(67,173)** | (24,937) |
| Interest paid | | **(15,324)** | (19,998) |
| **Net cash used in operating activities** | | **(82,497)** | (44,935) |
| **Investing activities** | | | |
| Interest received | | **1,333** | 1,652 |
| Purchase of property, plant and equipment | | **–** | (422) |
| Proceeds from disposal of property, plant and equipment | | **2,854** | 6,142 |
| Placement of pledged bank deposit | | **(43,863)** | (32,841) |
| **Net cash used in investing activities** | | **(39,676)** | (25,469) |

# Consolidated Statement of Cash Flows

**For the year ended 31 December 2013**

| | Notes | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Proceeds from borrowings | | **259,992** | 293,182 |
| Repayment of borrowings | | **(139,048)** | (250,061) |
| **Net cash generated from financing activities** | | **120,944** | 43,121 |
| **Net decrease in cash and cash equivalents** | | **(1,229)** | (27,283) |
| **Cash and cash equivalents at 1 January** | | **8,046** | 35,077 |
| **Effects of foreign exchange rate changes** | | **2,289** | 252 |
| **Cash and cash equivalents at 31 December** | | **9,106** | 8,046 |
| **Analysis of the balances of cash and cash equivalents:** | | | |
| Bank balances and cash | 24 | **9,106** | 8,046 |

## 1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. Its parent and ultimate holding company is Keenlead Holdings Limited, a company incorporated in the British Virgin Islands. Its ultimate controlling party is Ms. Ma Xiaoling, who is also the chairman and executive director of the Company. The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is located at Rooms 1013 and 15, 10th Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong.

The Group is principally engaged in investment holding, industrial property development and general trading included trading of metal materials.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate.

## 2. BASIS OF PREPARATION

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

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group notwithstanding that:

- the Group's current liabilities exceeded its current assets by HK$91,048,000 as at 31 December 2013 and the Group incurred a loss of HK$30,125,000 and had net cash outflows from operating activities of HK$82,497,000 for the year ended 31 December 2013; and

- amongst the total bank borrowings of HK$230,155,000 as at 31 December 2013, bank borrowings of HK$173,092,000 as at 31 December 2013 are due for repayment within one year from 31 December 2013.

## 2. BASIS OF PREPARATION (Continued)

The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration of the followings:

(i) the directors of the Company had negotiated with Industrial and Commercial Bank of China (the "ICBC") and obtained written confirmation from the ICBC confirming new banking facilities of HK$101,446,000 (equivalent to RMB80,000,000) secured by the warehouse of HK$142,475,000 to be granted to the Group, of which of HK$72,280,000 will be used to settle the existing bank loans from Shanghai Pudong Development Bank in full and the remaining amount of HK$29,166,000 will be used for the Group's working capital requirements;

(ii) the Group is continuously negotiating with the China Taicang Port Development Zone ("TPDZ") for the disposal of a parcel of land located in Taicang City (the "Land") with a valuation of RMB66,000,000 prepared by an independent qualified professional valuer and a refund of deposits of HK$37,015,000 paid for acquiring another piece of land in Taicang City, the PRC (the "Deposits");

Subsequent to the reporting date, the Group entered into a non-legally binding letter of intent (the "LOI") with a potential buyer in relation to the possible disposal of an indirect wholly-owned subsidiary which owns the Land and the Deposits. Pursuant to the LOI, the Group and the potential buyer shall use their best endeavours to negotiate on the terms and conditions and enter into a legally-binding agreement in relation to the possible disposal within six months from the date of signing of the LOI. The directors of the Company expect that the consideration of the possible disposal is expected to be not less than RMB60,000,000. A deposit of RMB10,000,000 had been received after signing the LOI on 21 January 2014;

(iii) subsequent to the reporting date, the Group successfully renewed bank loans of HK$53,259,000 and settled bank borrowings of HK$39,944,000 according to the terms and schedules of the respective loan agreements and maintained good credit history. The directors of the Company are confident that the Group will be able to roll over its outstanding bank loans when they are due for repayment in year 2014 and will continue to put efforts to arrange additional bank financing to meet the funding requirement of the Group;

## 2. BASIS OF PREPARATION (Continued)

(iv) the directors of the Company will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring daily operating expenses and arrange with bankers to convert certain short term loans into long term loans whenever possible;

(v) the Group intends to dispose of the office building situated at Units 501 and 508, Level 5, Block 2, Phase 1, Jinguanyuan, No. 16 Xinhua Lane, Xicheng District, Beijing, the PRC, with the carrying amounts included in the property, plant and equipment of HK$2,158,000 and prepaid lease payments of HK$13,952,000 as a source of providing liquidity. At the end of the reporting period, the fair value of these assets was HK$22,700,000 based on a valuation prepared by an independent qualified professional valuer; and

(vi) the ultimate holding company, Keenlead Holdings Limited, agreed to provide continuous financial support to the Group to meet its financial obligations.

In view of the foregoing and after having considered the validity of the Group's ability to generate operating profits and positive cash flows, to renew its current banking facilities upon expiry and to dispose of certain of its assets, the directors believe that the Group will have adequate financial resources for its working capital requirements for the ensuing year. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the consolidated financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not yet been reflected in the consolidated financial statements.

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

### 3.1 New and revised HKFRSs affecting amounts reported and/or disclosures in the consolidated financial statements

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

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

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

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

### 3.1 New and revised HKFRSs affecting amounts reported and/or disclosures in the consolidated financial statements (Continued)

*HKFRS 10 Consolidated Financial Statements*

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors are of the opinion that the application of the amendments has had no material impact on the disclosures or on the amounts recognised in these consolidated financial statements.

*HKFRS 13 Fair Value Measurement*

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

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

### 3.1 New and revised HKFRSs affecting amounts reported and/or disclosures in the consolidated financial statements (Continued)

*HKFRS 13 Fair Value Measurement (Continued)*

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

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

*Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

### 3.2 New and revised HKFRSs in issue but not yet effective

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

| | |
|---|---|
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 14 | Regulatory Deferral Accounts[5] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[1] |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions[2] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosure for Non-Financial Assets[1] |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010 – 2012 Cycle[4] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011 – 2013 Cycle[2] |
| HK (IFRIC) – Int 21 | Levies[1] |

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

5 Effective for annual periods beginning on or after 1 January 2016

The directors of the Company anticipate that the application of the above new or revised HKFRSs have been issued but are not yet effective will have no material impact on the results and the financial position of the Group.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

*Changes in the Group's ownership interests in existing subsidiaries*

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (that is, reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition

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

*Warehouse storage income*

Warehouse storage income is recognised when the storage services are rendered.

*Sales of goods*

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

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

*Interest income*

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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes and warehouse held for provision of storage services, 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 less their residual value over their estimated useful lives and after taking into account their estimated residual value, 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.

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.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of 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. When 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.

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 immediately in profit or loss.

### 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leasing (Continued)

*The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

*Leasehold land for own use*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting 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 expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies (Continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

### Taxation

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

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

*Deferred tax*

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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 the 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.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

*Current and deferred tax for the year*

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

### 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity;

(v) the entity has a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments

Financial assets and financial liabilities are recognised 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 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 mainly classified into financial assets as loans and receivables. 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 debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

*Financial assets (Continued)*

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, prepayments and deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

*Impairment of financial assets*

Financial assets 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 assets, the estimated future cash flows of the financial assets have been affected.

For the financial assets, objective evidence of impairment could include:

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period 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 the estimated future cash flows discounted at the financial asset's original effective interest rate.

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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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 losses 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

*Financial liabilities and equity instruments*

*Classification as debt or equity*

Debt 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 Group are recognised at the proceeds received, net of direct issue costs.

*Other financial liabilities*

Other financial liabilities including trade payables, other payables, bills payables, and bank loans are subsequently measured at amortised cost using the effective interest method.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net amount on initial recognition.

Interest expense is recognised on an effective interest basis.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

*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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

### Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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 underlying 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 on-going 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.

### Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

*Classification for warehouse for provision of storage services*

The Group determines whether the warehouse in the PRC should be classified as property, plant and equipment or an investment property. The warehouse is used to generate warehouse storage income that comprises warehouse rentals and income from the supply of warehouse logistics services. In making its judgement, the directors of the Company considered that income and cash flows from warehouse rentals and warehouse logistics services are interdependent and cannot be separated. In addition, the directors of the Company determined that the provision of warehouse logistics services is significant to the warehouse storage operation as a whole. For these reasons, the directors of the Company considered that the warehouse is classified as property, plant and equipment in accordance with HKAS 16 Property, Plant and Equipment.

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

### Key sources of estimation uncertainty

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

*Depreciation and amortisation*

The Group depreciates the property, plant and equipment over their estimated useful life and after taking into account of their estimated residual values, using the straight line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

*Impairment loss on property, plant and equipment and prepaid lease payments*

Property, plant and equipment mainly represented the Group's warehouse property. Property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the fair value of the property, plant and equipment less costs to sell or the value-in-use calculations. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise.

The recoverable amount of the warehouse has been determined based on a valuation carried out by an independent qualified professional valuer not connected with the Group, using the depreciated replacement cost approach. Besides, the directors of the Company also determined the recoverable amount of the warehouse with the estimation of future expected cash flows from the warehouse and a suitable discount rate. The carrying amount of property, plant and equipment is HK$145,103,000 (2012: HK$152,255,000). The carrying amount of the warehouse is HK$142,475,000 (2012: HK$149,362,000).

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

### Key sources of estimation uncertainty (Continued)

*Impairment loss on property, plant and equipment and prepaid lease payments (Continued)*

Prepaid lease payments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the fair value of the prepaid lease payments less costs to sell or the future expected cash flows. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise.

The recoverable amount of prepaid lease payments have been determined based on a valuation carried out by independent qualified professional valuers not connected with the Group, using comparable market price of similar prepaid lease payments on an open market value with the assumptions that the prepaid lease payments are sold in the market in its existing state. The carrying amount of prepaid lease payments is HK$99,372,000 (2012: HK$98,833,000).

The directors performed impairment assessment of the Group's property, plant and equipment and prepaid lease payments for the years ended 31 December 2013 and 2012, no impairment loss has been recognised for property, plant and equipment and prepaid lease payments.

*Impairment loss recognised in respect of trade receivables*

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customers' current credit-worthiness, as determined by review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate provision for estimated credit losses.

As at 31 December 2013, the carrying amount of trade receivables was approximately HK$1,349,000 (2012: HK$1,505,000) (net of accumulated impairment loss of approximately HK$1,170,000 (2012: HK$1,330,000)).

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

### Key sources of estimation uncertainty (Continued)

*Impairment loss recognised in respect of other receivables, and prepayments and deposits*

When there is an objective evidence of an impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2013, the carrying amounts of other receivables, and prepayments and deposits are approximately HK$12,829,000 (2012: HK$29,726,000) and HK$811,000 (2012: HK$3,464,000) respectively (net of accumulated impairment loss of other receivables, and prepayments and deposits of approximately HK$7,157,000 (2012: HK$24,212,000) and HK$811,000 (2012: HK$3,388,000) respectively).

*Deposits for acquisition of leasehold land*

As mentioned in notes 2(ii) and 21, the Deposits represented deposits paid for acquiring land use rights for a piece of land located in Taicang City, the PRC, for the use for an industrial development project of the Group. Due to certain environmental issues, the land use rights acquired will not be able to serve the proposed usage of the land.

The management is continuously negotiating with the TPDZ for a refund of Deposits and is currently negotiating with the potential purchaser for a possible disposal (note 37) and the consideration will not be less than the carrying amounts stated in the consolidated financial statements. Based on these negotiations, the directors of the Company are of the opinion that the Group would not suffer any loss on the deposits made.

## 6. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may raise new debts, adjust the amount of dividends paid to owners, return capital to owners, issue new shares or sell assets to reduce debt.

During the year ended 31 December 2013, the Group's strategy remained unchanged. The Group monitors capital on the basis of the gearing ratio which is calculated as total borrowings divided by equity attributable to owners of the Company.

The management considers the gearing ratio at the year end date is as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Total borrowings | **230,155** | 192,732 |
| Equity attributable to owners of the Company | **130,903** | 157,310 |
| Debt to equity ratio | **176%** | 123% |

The increase in gearing ratio during the year was mainly due to the bank loans increase to HK$230,155,000.

## 7. FINANCIAL INSTRUMENTS

### 7a. Categories of financial instruments

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables | | |
| – Trade and other receivables | **8,327** | 25,542 |
| – Pledged bank deposits | **88,765** | 44,902 |
| – Bank balances and cash | **9,106** | 8,046 |
| | **106,198** | 78,490 |
| **Financial liabilities** | | |
| At amortised cost | | |
| – Trade payables | **59** | 91 |
| – Other payables | **8,612** | 1,454 |
| – Bills payables | **–** | 87,967 |
| – Bank loans | **230,155** | 104,765 |
| | **238,826** | 194,277 |

## 7. FINANCIAL INSTRUMENTS (Continued)

### 7b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade and other payables, bills payables, pledged bank deposits, bank balances and cash and bank loans. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate 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.

*Market risk*

*(i) Currency risk*

The Group is not exposed to significant currency risk as most of its monetary assets and monetary liabilities are denominated in the functional currency of the individual group entity. The management is of the opinion that the Group's exposure to foreign currency risk is minimal. Accordingly, no foreign exchange risk sensitivity analysis is presented. The significant balance carried in the translation reserve account is occasioned by the translation of the financial statements of the Group's subsidiaries into the presentation currency of the consolidated financial statements of the Group at each reporting date.

*(ii) Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank loans (note 26) as at 31 December 2013 and 2012.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances as at December 2013 and 2012 (note 24). The Group currently does not use any derivative contracts to hedge its exposure to fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

## 7. FINANCIAL INSTRUMENTS (Continued)

### 7b. Financial risk management objectives and policies (Continued)

*Market risk (Continued)*

*(ii) Interest rate risk (Continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative financial instruments at the end of the reporting period. The analysis is prepared assuming that the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2012: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2012: 100 basis points) higher/lower and all other variables were held constant, the net effect of Group's post-tax loss for the year ended 31 December 2013 would increase/decrease by HK$1,323,000 (2012: post-tax profit decrease/increase by HK$518,000). This is mainly attributable to the Group's exposure to interest rates on its fixed-rate bank loans.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in its fixed-rate bank loans.

*Credit risk*

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

## 7. FINANCIAL INSTRUMENTS (Continued)

### 7b. Financial risk management objectives and policies (Continued)

*Credit risk (Continued)*

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

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

*Liquidity risk*

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

The Group relies on bank loans as a significant source of liquidity. Details of which are set out in note 26. As at 31 December 2013, the Group has utilised banking facilities of approximately HK$146,462,000 and subsequent to reporting date, the ICBC had confirmed to grant a new banking facilities of HK$101,446,000 to the Group, in which of HK$72,280,000 will use to settle the existing bank loans and the remaining amount of HK$29,166,000 will use to support the Group's working capital requirements.

The Group has net current liabilities of approximately HK$91,048,000 as at 31 December 2013, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the management regularly monitors the operating cash flows of the Group to meet its liquidity requirement in the short and long term.

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

## 7. FINANCIAL INSTRUMENTS (Continued)

### 7b. Financial risk management objectives and policies (Continued)

*Liquidity risk (Continued)*

*Liquidity table*

| | Weighted average effective interest rate | Less than 1 month HK$'000 | 1-3 months HK$'000 | 3 months to 1 year HK$'000 | More than 1 year HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.12.2013 HK$'000 |
|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Trade payables | – | 59 | – | – | – | 59 | 59 |
| Other payables | – | 8,612 | – | – | – | 8,612 | 8,612 |
| Bank loans – fixed rate | 6.93% | 77,719 | 18,673 | 84,964 | 64,897 | 246,253 | 230,155 |
| | | 86,390 | 18,673 | 84,964 | 64,897 | 254,924 | 238,826 |

| | Weighted average effective interest rate | Less than 1 month HK$'000 | 1-3 months HK$'000 | 3 months to 1 year HK$'000 | More than 1 year HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.12.2012 HK$'000 |
|---|---|---|---|---|---|---|---|
| 2012 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Trade payables | – | 91 | – | – | – | 91 | 91 |
| Other payables | – | 1,454 | – | – | – | 1,454 | 1,454 |
| Bills payables | – | 31,192 | 56,775 | – | – | 87,967 | 87,967 |
| Bank loans – fixed rate | 7.15% | 50,484 | 1,048 | 55,604 | – | 107,136 | 104,765 |
| | | 83,221 | 57,823 | 55,604 | – | 196,648 | 194,277 |

### 7c. Fair value measurements

The carrying amounts of trade and other receivables, pledged bank deposits, cash and cash equivalents, trade and other payables and current portion of bank loans are estimated to approximate their fair values based on the nature or short-term maturity of these financial instruments.

## 8. REVENUE

Revenue represents revenue arising on sales of goods and warehouse storage income. An analysis of the Group's revenue for the year is as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Sales of goods | 21,434 | 108,667 |
| Warehouse storage income | 11,529 | 9,670 |
| | 32,963 | 118,337 |

## 9. SEGMENT INFORMATION

### Business Segments

The Group's operations are organised into industrial property development and general trading. Information reported to the chief executive officer, the Group's chief operating decision maker ("CODM") for the purpose of resources allocation and assessment of segment performance is prepared on such basis. The Group's reportable and operating segments comprise industrial property development and general trading.

– Industrial property development segment represents the operation of warehouse in Taicang city, the PRC.

– General trading segment includes trading of metal materials. Currently, the Group's general trading activities are carried out in the PRC.

## 9. SEGMENT INFORMATION (Continued)

### Segment revenue and results

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

**For the year ended 31 December 2013**

| | Industrial property development HK$'000 | General trading HK$'000 | Total HK$'000 |
|---|---|---|---|
| SEGMENT REVENUE | 11,529 | 21,434 | 32,963 |
| SEGMENT RESULTS | (20,061) | (2,636) | (22,697) |
| Unallocated corporate expenses | | | (7,428) |
| Loss before tax | | | (30,125) |
| Income tax | | | – |
| Loss for the year | | | (30,125) |

## 9. SEGMENT INFORMATION (Continued)

### Segment revenues and results (Continued)

For the year ended 31 December 2012

| | Industrial property development HK$'000 | General trading HK$'000 | Total HK$'000 |
|---|---|---|---|
| SEGMENT REVENUE | 9,670 | 108,667 | 118,337 |
| SEGMENT RESULTS | (13,691) | (22,595) | (36,286) |
| Unallocated corporate income | | | 4 |
| Unallocated corporate expenses | | | (7,625) |
| Loss before tax | | | (43,907) |
| Income tax | | | – |
| Loss for the year | | | (43,907) |

All of the segment revenue reported above is from external customers.

Segment result represents the post-tax loss of the subsidiaries engaged in the respective segment activities without allocation of some sundry income and central administrative costs which are not earned by or incurred by those subsidiaries. This is the measure reported to the Group's CODM for the purposes of resources allocation and assessment of segment performance.

## 9. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

**At 31 December 2013**

| | Industrial property development HK$'000 | General trading HK$'000 | Total HK$'000 |
|---|---|---|---|
| ASSETS | | | |
| Segment assets | 382,600 | 2,840 | 385,440 |
| Unallocated bank balances and cash | | | 2,349 |
| Unallocated property, plant and equipment | | | 240 |
| Unallocated other receivables, prepayments and deposits | | | 470 |
| Consolidated total assets | | | 388,499 |
| LIABILITIES | | | |
| Segment liabilities | 237,084 | 19,714 | 256,798 |
| Unallocated other payables | | | 602 |
| Consolidated total liabilities | | | 257,400 |

## 9. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

At 31 December 2012

| | Industrial property development HK$'000 | General trading HK$'000 | Total HK$'000 |
|---|---|---|---|
| ASSETS | | | |
| Segment assets | 300,122 | 61,726 | 361,848 |
| Unallocated bank balances and cash | | | 6,167 |
| Unallocated property, plant and equipment | | | 314 |
| Unallocated other receivables, prepayments and deposits | | | 625 |
| Consolidated total assets | | | 368,954 |
| LIABILITIES | | | |
| Segment liabilities | 59,526 | 151,244 | 210,770 |
| Unallocated other payables | | | 605 |
| Consolidated total liabilities | | | 211,375 |

## 9. SEGMENT INFORMATION (Continued)

### Other information

**For the year ended 31 December 2013**

| | Industrial property development HK$'000 | General trading HK$'000 | Unallocated HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| Information included in segment results/segment assets: | | | | |
| Amortisation and depreciation | 10,961 | – | 75 | 11,036 |
| Interest income | (2,913) | (1,057) | – | (3,970) |
| Finance costs | 13,623 | 2,108 | – | 15,731 |
| Gain on disposal of property, plant and equipment | (285) | – | – | (285) |

For the year ended 31 December 2012

| | Industrial property development HK$'000 | General trading HK$'000 | Unallocated HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| Information included in segment results/segment assets: | | | | |
| Additions to property, plant and equipment | 63 | – | 359 | 422 |
| Amortisation and depreciation | 10,784 | – | 183 | 10,967 |
| Interest income | (698) | (954) | – | (1,652) |
| Finance costs | 3,492 | 16,727 | – | 20,219 |
| Impairment loss on trade and other receivables | 3,691 | 1,986 | – | 5,677 |
| Impairment loss on prepayments and deposits | – | 76 | – | 76 |
| Gain on disposal of property, plant and equipment | (1,225) | – | – | (1,225) |
| Written back of projects development costs | (2,879) | – | – | (2,879) |

## 9. SEGMENT INFORMATION (Continued)

### Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC").

The Group's revenue from external customers based on the locations of operations and information about its non-current assets by geographical location of the assets are detailed below:

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | **31.12.2013 HK$'000** | 31.12.2012 HK$'000 | **31.12.2013 HK$'000** | 31.12.2012 HK$'000 |
| Hong Kong | **–** | – | **240** | 314 |
| PRC | **32,963** | 118,337 | **278,970** | 284,545 |
| | **32,963** | 118,337 | **279,210** | 284,859 |

### Information about major customers

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

| | **31.12.2013 HK$'000** | 31.12.2012 HK$'000 |
|---|---|---|
| Customer A[1] | **–** | 32,721 |
| Customer B[1] | **–** | 62,199 |
| Customer C[1] | **21,434** | – |
| Customer D[2] | **3,574** | 3,418 |
| Customer E[2] | **7,955** | 5,376 |

1 Revenue from sales of goods.
2 Revenue from warehouse storage income.

## 10. OTHER INCOME

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Bank interest income | 3,970 | 1,652 |
| Sundry income | 7 | 4 |
| | 3,977 | 1,656 |

## 11. OTHER GAINS AND LOSSES

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Gain on disposal of property, plant and equipment | 285 | 1,225 |
| Written back of projects development costs | – | 2,879 |
| Impairment loss on trade and other receivables | – | (5,677) |
| Impairment loss on prepayments and deposits | – | (76) |
| | 285 | (1,649) |

## 12. FINANCE COSTS

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Interest on bank loans and other borrowings wholly repayable within five years | 15,731 | 20,219 |

## 13. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the years ended 31 December 2013 and 2012.

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits for the year (2012: Nil).

PRC enterprise income tax ("EIT") is calculated at the applicable rates based on estimated taxable income earned by the PRC subsidiary of the Group with certain tax concession, based on existing legislation, interpretation and practice in respect thereof.

Pursuant to the enterprise income tax rules and regulations of the PRC, the applicable PRC EIT rate of the Group's PRC subsidiary is 25%.

No provision for the PRC EIT has been made during the year as the subsidiaries operated in the PRC had no assessable profits for the year (2012: Nil).

The income tax expense for the year can be reconciled to the loss before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Loss before tax | **(30,125)** | (43,907) |
| Tax credit at domestic tax rate of 25% (2012: 25%) | **(7,531)** | (10,976) |
| Tax effect of expenses not deductible for tax purpose | **1,232** | 2,802 |
| Tax effect of income not taxable for tax purpose | **(2,187)** | (1,662) |
| Tax effect of tax losses not recognised as deferred tax asset | **7,855** | 9,188 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **631** | 648 |
| Income tax expense for the year | **–** | – |

## 13. INCOME TAX EXPENSE (Continued)

At the end of reporting period, the Group has unused tax losses subject to the agreement of tax authorities of HK$193,257,000 (2012: HK$187,019,000), available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unutilised tax losses of HK$95,794,000 (2012: HK$77,383,000) can be carried forward for a period of five years. Other unrecognised tax losses may be carried forward indefinitely.

## 14. LOSS FOR THE YEAR

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Loss for the year has been arrived at after charging (crediting): | | |
| Amortisation of prepaid lease payments | 2,253 | 2,212 |
| Depreciation on property, plant and equipment | 8,783 | 8,755 |
| | 11,036 | 10,967 |
| Auditor's remuneration | | |
| – audit services | 500 | 500 |
| – other services | 100 | 100 |
| Refund of projects development costs | – | (2,879) |
| Staff costs including directors' emoluments | 7,281 | 7,548 |
| Impairment loss on trade and other receivables | – | 5,677 |
| Impairment loss on prepayments and deposits | – | 76 |
| Cost of inventories recognised as expenses | 21,560 | 108,788 |
| Gain on disposal of property, plant and equipment | (285) | (1,225) |

## 15. DIVIDEND

The Directors do not recommend the payment of a dividend for the years ended 31 December 2013 and 2012.

## 16. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance. The emoluments paid or payable to each of the 6 (2012: 6) directors were as follows:

| | Ma Xiaoling HK$'000 | Chan Siu Mun HK$'000 | Chan Sze Hon HK$'000 | Ching Men Ky, Carl HK$'000 | Lin Ruei Min HK$'000 | Shu Wa Tung, Laurence HK$'000 | 2013 HK$'000 |
|---|---|---|---|---|---|---|---|
| Fees | – | – | 240 | 240 | 240 | 240 | 960 |
| Other emoluments | | | | | | | |
| Salaries and other benefits | 1,821 | 1,040 | – | – | – | – | 2,861 |
| Contribution to retirement benefits schemes | – | 15 | – | – | – | – | 15 |
| Total emoluments | 1,821 | 1,055 | 240 | 240 | 240 | 240 | 3,836 |

| | Ma Xiaoling HK$'000 | Chan Siu Mun HK$'000 | Chan Sze Hon HK$'000 | Ching Men Ky, Carl HK$'000 | Lin Ruei Min HK$'000 | Shu Wa Tung, Laurence HK$'000 | 2012 HK$'000 |
|---|---|---|---|---|---|---|---|
| Fees | – | – | 240 | 240 | 240 | 240 | 960 |
| Other emoluments | | | | | | | |
| Salaries and other benefits | 1,707 | 960 | – | – | – | – | 2,667 |
| Contribution to retirement benefits schemes | – | 14 | – | – | – | – | 14 |
| Total emoluments | 1,707 | 974 | 240 | 240 | 240 | 240 | 3,641 |

No director waived any emoluments in the years ended 31 December 2013 and 2012. No incentive payment for joining the Group was paid or payable to any directors during the years ended 31 December 2013 and 2012.

## 17. EMPLOYEES' EMOLUMENTS

Two (2012: two) of the five individuals with the highest emoluments in the Group are directors of the Company whose emoluments are included in disclosures in the note 16 above. The aggregate emoluments of the remaining three (2012: three) are as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries and other benefits | **1,001** | 1,196 |
| Contributions to retirement benefit scheme | **15** | 14 |
| | **1,016** | 1,210 |

Their emoluments were within the following bands:

| | **2013** | 2012 |
|---|---|---|
| | **No. of employees** | No. of employees |
| HK$ nil to HK$1,000,000 | **3** | 3 |

## 18. LOSS PER SHARE

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

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Loss** | | |
| Loss for the year attributable to owners of the Company for the purpose of basic loss per share | **(30,045)** | (43,817) |
| **Number of shares** | | |
| Number of ordinary shares for the purpose of basic loss per share | **299,847** | 299,847 |

The amounts of diluted loss per share are the same as basic loss per share because the Company has no potential ordinary shares outstanding for both periods.

## 19. PROPERTY, PLANT AND EQUIPMENT

| | Buildings HK$'000 | Warehouse HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **COST** | | | | | |
| At 1 January 2012 | 2,781 | 178,750 | 3,330 | 6,010 | 190,871 |
| Exchange realignment | 23 | 1,475 | 18 | 53 | 1,569 |
| Additions | – | – | 422 | – | 422 |
| Disposals | – | (11,183) | (216) | (716) | (12,115) |
| At 31 December 2012 and 1 January 2013 | 2,804 | 169,042 | 3,554 | 5,347 | 180,747 |
| Exchange realignment | 79 | 4,789 | 58 | 166 | 5,092 |
| Disposals | – | (2,854) | – | – | (2,854) |
| **At 31 December 2013** | **2,883** | **170,977** | **3,612** | **5,513** | **182,985** |
| **DEPRECIATION AND IMPAIRMENT** | | | | | |
| At 1 January 2012 | 453 | 13,061 | 2,716 | 5,474 | 21,704 |
| Exchange realignment | 4 | 123 | 14 | 49 | 190 |
| Provided for the year | 124 | 7,768 | 474 | 389 | 8,755 |
| Eliminated upon disposals | – | (1,272) | (205) | (680) | (2,157) |
| At 31 December 2012 and 1 January 2013 | 581 | 19,680 | 2,999 | 5,232 | 28,492 |
| Exchange realignment | 18 | 660 | 52 | 162 | 892 |
| Provided for the year | 126 | 8,447 | 200 | 10 | 8,783 |
| Eliminated upon disposals | – | (285) | – | – | (285) |
| **At 31 December 2013** | **725** | **28,502** | **3,251** | **5,404** | **37,882** |
| **CARRYING AMOUNTS** | | | | | |
| **At 31 December 2013** | **2,158** | **142,475** | **361** | **109** | **145,103** |
| At 31 December 2012 | 2,223 | 149,362 | 555 | 115 | 152,255 |

## 19. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

| | |
|---|---|
| Buildings and warehouse | Over the shorter of remaining unexpired terms of the leases and 5% |
| Plant and machinery | 10%-20% |
| Furniture, fixtures and equipment | 10%-33% |
| Motor vehicles | 20%-25% |

The buildings and warehouse are situated on land in the PRC held under a medium-term to long-term land use right.

## 20. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments are amortised and charged to the profit or loss in the consolidated statement of profits or loss and other comprehensive income on a straight-line basis over the lease term.

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| **Cost** | | |
| At 1 January | **110,157** | 109,241 |
| Exchange realignment | **3,143** | 916 |
| At 31 December | **113,300** | 110,157 |
| **Accumulated amortisation** | | |
| At 1 January | **11,324** | 9,032 |
| Exchange realignment | **351** | 80 |
| Amortisation for the year | **2,253** | 2,212 |
| At 31 December | **13,928** | 11,324 |
| **Carrying amounts** | | |
| At 31 December | **99,372** | 98,833 |
| Analysed for reporting purposes as: | | |
| Current assets | **2,280** | 2,217 |
| Non-current assets | **97,092** | 96,616 |
| | **99,372** | 98,833 |

## 20. PREPAID LEASE PAYMENTS (Continued)

The Group's prepaid lease payments comprise:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| **Land in the PRC** | | |
| Long lease | **13,952** | 13,795 |
| Medium lease | **85,420** | 85,038 |
| Short lease | **–** | – |
| | **99,372** | 98,833 |

## 21. DEPOSITS FOR ACQUISITION OF LAND USE RIGHTS

At 31 December 2013 and 2012, the amount represented deposits paid for the proposed acquisition of land use rights in Taicang City, the PRC, for a total of HK$37,015,000 (2012: HK$35,988,000) (equivalent to RMB29,190,000 for both years) for a development project of the Group in year 2008. Due to certain environmental issues, the land use rights could not serve the proposed usage.

As mentioned in note 2(ii), the Group is continuously negotiating with the TPDZ for a refund of Deposits and is currently negotiating with the potential purchaser for the possible disposal (note 37) and the consideration will not be less than the carrying amounts stated in the consolidated financial statements. Based on these negotiations, the directors of the Company are of the opinion that the Group would not suffer any loss on the deposits made.

## 22. TRADE AND OTHER RECEIVABLES

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Trade receivables | **1,349** | 1,505 |
| Less: impairment loss recognised | **(179)** | (175) |
| | **1,170** | 1,330 |
| Other receivables (Note a) | **12,829** | 29,726 |
| Less: impairment loss recognised | **(5,672)** | (5,514) |
| | **7,157** | 24,212 |
| Total trade and other receivables | **8,327** | 25,542 |

Note:

(a) As at 31 December 2013, the balance of other receivables after accumulated impairment loss mainly consists of the refund of purchase money on inventory and refund on overpayment of cost of construction of the Group's warehouse of HK$2,682,000 (2012:HK$13,845,000) and HK$1,523,000 (2012: HK$6,155,000) respectively.

The Group allows an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables net of impairment loss based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| 0 – 30 days | **1,170** | 597 |
| 31 – 60 days | **–** | 372 |
| 61 – 90 days | **–** | 361 |
| Over 90 days | **–** | – |
| | **1,170** | 1,330 |

## 22. TRADE AND OTHER RECEIVABLES (Continued)

Before accepting any new customer, the Group assesses the credit quality of each potential customer. In addition, the Group reviewed the repayment history of receivables of each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable.

The movements in impairment loss of trade receivables are as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Balance at beginning of the year | 175 | – |
| Recognised during the year | – | 174 |
| Exchange realignment | 4 | 1 |
| Balance at end of the year | 179 | 175 |

The movements in impairment loss of other receivables are as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Balance at beginning of the year | 5,514 | – |
| Recognised during the year | – | 5,503 |
| Exchange realignment | 158 | 11 |
| Balance at end of the year | 5,672 | 5,514 |

## 23. PREPAYMENTS AND DEPOSITS

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Prepayments | **187** | 2,883 |
| Less: impairment loss recognised | **–** | (76) |
| | **187** | 2,807 |
| Rental and utilities deposits | **624** | 581 |
| Total prepayments and deposits | **811** | 3,388 |

The movements in impairment loss of prepayments and deposits are as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Balance at beginning of the year | **76** | – |
| Recognised during the year | **–** | 76 |
| Amounts written off during the year as uncollectible | **(76)** | – |
| Balance at end of the year | **–** | 76 |

## 24. BANK BALANCES/PLEDGED BANK DEPOSITS

### Bank balances/pledged bank deposits

Bank balances carry interest at market rates which range from nil to 0.35% (31 December 2012: nil to 0.50%) per annum. The pledged bank deposits carry fixed interest rate of 3.08% to 4.25% (31 December 2012: 3.05% to 3.3%) per annum.

Bank deposits amounting to HK$88,765,000 (31 December 2012: HK$44,902,000) have been pledged to secure short-term bank loans and bills payables and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of the relevant bank borrowings and bills payables.

## 25. TRADE AND OTHER PAYABLES AND ACCRUALS

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Trade payables | **59** | 91 |
| Accrued expenses | **2,371** | 2,165 |
| Deposits received (Note a) | **7,945** | 6,904 |
| Other payables (Note a) | **8,612** | 1,454 |
| Total other payables and accruals | **18,928** | 10,523 |
| Total trade and other payables and accruals | **18,987** | 10,614 |

Note:

(a) Included in deposits received are receipts in advance from customers and refundable deposits. Included in other payables are the amounts advanced from the staff and the other creditors, which are unsecured, non-interest-bearing and are expected to be settled within one year.

## 25. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

The following is an analysis of trade payables by age based on the invoice date at the end of the reporting period:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| 0 – 30 days | – | – |
| 31 – 60 days | – | – |
| 61 – 90 days | – | – |
| Over 90 days | 59 | 91 |
| | 59 | 91 |

The average credit period on purchases of certain goods is 3 months.

## 26. BANK LOANS

The Group's bank loans are repayable as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Within one year | 173,092 | 104,765 |
| More than one year, but not exceeding two years | 15,217 | – |
| More than two years, but not more than five years | 41,846 | – |
| More than five years | – | – |
| | 230,155 | 104,765 |
| Less: Amounts shown under current liabilities | (173,092) | (104,765) |
| | 57,063 | – |

All the bank loans were secured by the pledge of the Group's assets as set out in note 32.

## 26. BANK LOANS (Continued)

The analysis of bank loans by currency is as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Denominated in RMB | **230,155** | 104,765 |

The range of effective interest rates at the end of each reporting period are as follows:

| | 2013 | 2012 |
|---|---|---|
| Fixed rate bank loans | **6.0%-8.1%** | 6.0%-8.2% |

## 27. SHARE CAPITAL

| | Number of shares<br>'000 | Nominal amount<br>HK$'000 |
|---|---|---|
| Authorised: | | |
| Ordinary shares of HK$0.005 each at 1 January 2012, 31 December 2012 and 31 December 2013 | 421,978,000 | 2,109,890 |
| Preference shares of HK$0.005 each at 1 January 2012, 31 December 2012 and 31 December 2013 | 22,000 | 110 |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.005 each at 1 January 2012, 31 December 2012 and 31 December 2013 | 299,847 | 1,499 |

## 28. SHARE OPTIONS SCHEME

In 2011, the Company adopted a Share Option Scheme, which will expire on 19 June 2021, for the purpose of providing incentives or reward to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group and any invested entity. Under the 2011 Share Option Scheme, the directors of the Company may grant options to any employees (including any executive directors), non-executive director, supplier of goods or services and customers of the Group; and any person or entity that provides research, development or other technological support to the Group.

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option by payment from the participant of HK$1.00. An option may be exercised in accordance with the terms of the 2011 Share Option Scheme at any time during a period to be determined and notified by the Board to each grantee, save that such period shall end in any event not later than ten years from the date of grant of the option and subject to the provisions for early termination thereof.

The subscription price for shares under the 2011 Share Option Scheme will be a price to be determined by the Board, but may not be less than the highest of (i) the closing price of the shares as stated on the Stock Exchange's daily quotations sheets on the date of grant of the particular option; (ii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the particular option; or (iii) the nominal value of a share.

The total number of shares which may be issued upon exercise of all options to be granted under the 2011 Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the total number of shares in issue as at the adoption date. Besides, the maximum number of shares which may be issued upon exercise of all outstanding options granted under the 2011 Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the total number of shares in issue from time to time. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2011 Share Option Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the total number of shares in issue for the time being.

At the end of the reporting period, no share option has been granted under the 2011 Share Option Scheme since its adoption.

## 29. OPERATING LEASES

### The Group as lessee

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Minimum lease payments under operating leases in respect of office properties | **938** | 1,116 |

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

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Within one year | **738** | 771 |
| In the second to fifth year inclusive | **292** | 903 |
| | **1,030** | 1,674 |

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of two-year.

## 29. OPERATING LEASES (Continued)

### The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum payments for storage facilities.

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Within one year | 12,883 | 12,655 |
| In the second to fifth year inclusive | 29,966 | 31,727 |
| | 42,849 | 44,382 |

Warehouse storage income earned during the year was HK$11,529,000 (2012: HK$9,670,000).

## 30. CAPITAL COMMITMENTS

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Commitments in respect of the acquisition and construction of property, plant and equipment contracted but not provided for | 2,893 | 2,813 |

The balance represented the commitment for the industrial development project as disclosed in note 21 which has been temporarily suspended.

## 31. RETIREMENT BENEFITS SCHEMES

The Group is required to participate in a defined contribution scheme, the MPF Scheme, in respect of its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Both the Group and its employees contribute 5% of the relevant payroll costs to the MPF Scheme. The maximum contribution for each employee is limited to HK$15,000 (2012: effected from 1 June 2012, the maximum contribution was adjusted from HK$12,000 to HK$15,000) per annum.

The employees of PRC subsidiaries are members of defined contribution plans organised by PRC municipal and provincial government authorities in the PRC. The PRC subsidiaries are required to make monthly contributions to these plans at a fixed percentage of the employee's basic salary. The only obligation of the Group with respect to the retirement benefit scheme in the PRC is to make the required contributions under the scheme. The local government authority is responsible for the entire pension obligations payable to retired employees.

Contributions to the retirement benefit schemes for the year amounted to HK$248,000 (2012: HK$275,000).

## 32. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group (note 26):

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Property, plant and equipment | **142,475** | 149,362 |
| Prepaid lease payments | **85,420** | 85,038 |
| Bank deposits | **88,765** | 18,493 |
| | **316,660** | 252,893 |

In addition, the Group's bills payables with a carrying amount of HK$Nil (2012: HK$87,967,000) are secured by the bank deposits of HK$Nil (2012: HK$26,409,000).

## 33. RELATED PARTIES TRANSACTIONS

### Compensation of key management personnel

The remuneration of directors and other members of key management during the year is HK$4,852,000 (2012: HK$4,851,000) as disclosed in notes 16 and 17.

## 34. SUBSIDIARIES

| Name | Place of incorporation and operation | Issued and fully paid ordinary share capital/registered capital | Proportion of nominal value of issued share capital/registered capital held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | 2013 | | 2012 | | |
| | | | Directly | Indirectly | Directly | Indirectly | |
| Delight Link Enterprises Limited | Hong Kong | Ordinary HK$2 | **100%** | **–** | 100% | – | Provision of administrative services to group companies |
| Keycharm Investments Limited ("Keycharm") | British Virgin Islands ("BVI") | Ordinary US$100 | **–** | **100%** | – | 100% | Investment holding |
| Spring Chance Limited | BVI | Ordinary US$1 | **100%** | **–** | – | – | Investment holding |
| 圖輝石化開發（太倉）有限公司 (transliterated as Tuhui Petrochem Development (Taicang) Company Limited[#]) | PRC | Registered and paid-up capital RMB160,000,000 | **–** | **100%** | – | 100% | Industrial property development |
| 太倉基創倉儲有限公司 (transliterated as Taicang Keycharm Storage Company Limited[#]) | PRC | Registered and paid-up capital RMB80,000,000 | **–** | **100%** | – | 100% | Industrial property development |
| 北京三智興業投資有限公司 (transliterated as Beijing Sanzhi Xingye Investment Company Limited[#]) | PRC | Registered and paid-up capital RMB20,000,000 | **–** | **95%** | – | 95% | Provision of consultancy services |
| 太倉灝朴貿易有限公司 (transliterated as Taicang Haopu Trading Company Limited[#]) | PRC | Registered and paid-up capital RMB5,000,000 | **–** | **100%** | – | 100% | Trading of goods |

[#] *The English transliteration of Chinese name is included in this report for reference only and should not be regarded as its official English name.*

## 34. SUBSIDIARIES (Continued)

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

None of the subsidiaries had issued any debt securities at the end of the year.

## 35. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/TO SUBSIDIARIES

| | The Company | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Unlisted shares, at cost | **3** | 3 |
| Amounts due from subsidiaries | **310,759** | 316,557 |
| Less: impairment loss recognised | **(218,146)** | (223,944) |
| | **92,613** | 92,613 |
| Amounts due to subsidiaries | **355** | 354 |

Amounts due from/to subsidiaries are unsecured, interest-free and are repayable on demand.

## 36. FINANCIAL INFORMATION OF THE COMPANY

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Non-current asset** | | | |
| Interests in subsidiaries | 35 | **3** | 3 |
| **Current assets** | | | |
| Amounts due from subsidiaries | 35 | **92,613** | 92,613 |
| Prepayments and deposits | | **186** | 341 |
| Bank balances and cash | | **60** | 61 |
| | | **92,859** | 93,015 |
| **Current liabilities** | | | |
| Other payables and accruals | | **510** | 508 |
| Amounts due to subsidiaries | 35 | **355** | 354 |
| | | **865** | 862 |
| **Net current assets** | | **91,994** | 92,153 |
| **Net assets** | | **91,997** | 92,156 |
| **Capital and reserve** | | | |
| Share capital | 27 | **1,499** | 1,499 |
| Share premium | | **379,281** | 379,281 |
| Contributed surplus | | **64,379** | 64,379 |
| Accumulated losses | | **(353,162)** | (353,003) |
| **Total equity** | | **91,997** | 92,156 |

## 37. EVENT AFTER THE REPORTING PERIOD

On 21 January 2014, Keycharm Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into the LOI with the potential buyer, Shenzhen City Oriental Fortune Capital Investment Management Company Limited (the "Purchaser"). Pursuant to the LOI, the Group intends to dispose of and the Purchaser intends to acquire 85% of the equity interest of Tuhui Petrochem Development (Taicang) Company Limited, which is an indirect wholly-owned subsidiary of the Company (the "Taicang Tuhui") (the "Possible Disposal"). The consideration of the Possible Disposal is expected to be not less than RMB60,000,000 and will be determined with reference to the market price of the net assets of Taicang Tuhui. The major assets and liabilities of Taicang Tuhui are the Land, the Deposit and the bank loans with the carrying amounts of HK$55,770,000, HK$37,015,000 and HK$57,063,000 respectively. A deposit of RMB10,000,000 was paid by the Purchaser upon signing of the LOI. The Group and the Purchaser agreed that the deposit shall be utilised to offset a part of the consideration when a legally-binding agreement in relation to the Possible Disposal is executed.

## 38. COMPARATIVE FIGURES

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

# Financial Summary

| | Year ended 31.12.2013 HK$'000 | Year ended 31.12.2012 HK$'000 | Year ended 31.12.2011 HK$'000 | Year ended 31.12.2010 HK$'000 | Year ended 31.12.2009* HK$'000 |
|---|---|---|---|---|---|
| **RESULTS** | | | | | |
| **Continuing operations** | | | | | |
| Revenue | **32,963** | 118,337 | 184,187 | 7,418 | 5,273 |
| Cost of sales | **(21,544)** | (108,924) | (175,701) | – | (4,179) |
| Gross profit | **11,419** | 9,413 | 8,486 | 7,418 | 1,094 |
| Other income | **4,262** | 5,760 | 38,003 | 282 | 1,123 |
| Selling and distribution costs | **(659)** | (106) | (141) | – | (449) |
| Administrative and other operating expenses | **(29,416)** | (33,002) | (37,380) | (29,294) | (42,682) |
| Other expenses | **–** | (5,753) | – | – | – |
| Finance costs | **(15,731)** | (20,219) | (1,852) | (4,466) | (3,418) |
| (Loss) profit before tax | **(30,125)** | (43,907) | 7,116 | (26,060) | (44,332) |
| Income tax expense | **–** | – | (7,843) | – | – |
| | **(30,125)** | (43,907) | (727) | (26,060) | (44,332) |
| **Discontinued operations** | | | | | |
| Profit (loss) for the year from discontinued operation | **–** | – | 3,104 | (4,070) | – |
| (Loss) profit for the year | **(30,125)** | (43,907) | 2,377 | (30,130) | (44,332) |
| Attributable to: | | | | | |
| Owners of the Company | **(30,045)** | (43,817) | 2,506 | (29,944) | (44,129) |
| Non-controlling interests | **(80)** | (90) | (129) | (186) | (203) |
| | **(30,125)** | (43,907) | 2,377 | (30,130) | (44,332) |

| | 31.12.2013 HK$'000 | 31.12.2012 HK$'000 | 31.12.2011 HK$'000 | 31.12.2010 HK$'000 | 31.12.2009* HK$'000 |
|---|---|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | **388,499** | 368,954 | 387,353 | 325,324 | 304,413 |
| Total liabilities | **(257,400)** | (211,375) | (187,350) | (134,179) | (89,436) |
| Non-controlling interests | **(196)** | (269) | (356) | (468) | (645) |
| Equity attributable to owners of the Company | **130,903** | 157,310 | 199,647 | 190,677 | 214,332 |

* *The result for the year of 2009 have not been re-presented for the discontinued operation.*