Leeport

力豐（集團）有限公司
LEEPORT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 0387)

ISO 9001:2008
CERTIFICATE NO. FS 84667

Annual Report 2013








Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. LEE Sou Leung, Joseph *(Chairman)*
Mr. CHAN Ching Huen, Stanley
Mr. WONG Man Shun, Michael

Non-Executive Director

Dr. LUI Sun Wing

Independent Non-Executive Directors

Mr. PIKE, Mark Terence
Mr. NIMMO, Walter Gilbert Mearns
Dr. LEE Tai Chiu

COMPANY SECRETARY

Mr. CHAN Ching Huen, Stanley

MEMBERS OF AUDIT COMMITTEE

Mr. PIKE, Mark Terence *(Chairman)*
Mr. NIMMO, Walter Gilbert Mearns
Dr. LEE Tai Chiu

MEMBERS OF REMUNERATION COMMITTEE

Mr. LEE Sou Leung, Joseph
Mr. PIKE, Mark Terence
Mr. NIMMO, Walter Gilbert Mearns *(Chairman)*
Dr. LEE Tai Chiu

MEMBERS OF NOMINATION COMMITTEE

Mr. LEE Sou Leung, Joseph *(Chairman)*
Mr. PIKE, Mark Terence
Mr. NIMMO, Walter Gilbert Mearns
Dr. LEE Tai Chiu

SOLICITORS

Stevenson, Wong & Co
Solicitors and Notaries

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

Standard Chartered Bank
Chong Hing Bank Limited
BNP Paribas, Hong Kong Branch
KBC Bank NV
The Bank of Tokyo – Mitsubishi UFJ, Ltd.
China Citic Bank International Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1st Floor, Block 1
Golden Dragon Industrial Centre
152-160 Tai Lin Pai Road
Kwai Chung
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen’s Road East
Hong Kong

WEBSITE

www.leeport.com.hk

Chairman's Statement

The Board of Directors (the "Directors") of Leeport (Holdings) Limited (the "Company") would like to present the consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2013, together with the comparative figures for the year ended 31st December 2012. The annual results have been reviewed by the Audit Committee of the Company.

FINANCIAL PERFORMANCE

Sales

The global economy, including that of China, was still weak in 2013 and this unavoidably also affected the business performance of the Group. The weakening machine tool market in 2013 reflected this situation. China imported USD10.1 billion worth of machine tool in 2013 compared with USD13.7 billion in 2012, representing a decrease of 26.3%. The Group's sales amounted to HK$745,599,000 in 2013 compared with HK$930,630,000 in 2012, a decrease of 19.9%.

However, despite the decrease in sales volume, the Group's gross profit in 2013 amounted to HK$137,964,000 compared with HK$135,549,000 in 2012, an increase of 1.8%. The gross profit percentage was 18.5% in 2013 compared with 14.6% in 2012. Some business divisions successfully disposed of some aged stock. The overall stock provision of the Group in 2013 was HK$2,077,000 and this is much lower than the stock provision amounting to HK$7,785,000 in 2012. The weak Japanese Yen in 2013 also contributed to the improvement in the gross profit percentage of some business divisions.

Other Income and Gains

The total value of other income and gains was HK$20,528,000 in 2013 compared with HK$22,907,000 in 2012, representing a decrease of 10.4%.

The service income was HK$9,461,000 in 2013 compared with HK$10,028,000 in 2012. The commission income was HK$1,141,000 in 2013 compared with HK$5,130,000 in 2012. Commission income is the income received from suppliers for some of the customers' orders placed directly with suppliers.

The management fee income from an associated company, Mitutoyo Leeport Metrology Corporation, was HK$1,947,000 in 2013 compared with HK$5,097,000 in 2012. The associated company set up its own administrative operation in 2013, reducing its dependence on the management service provided by Leeport's administration.

One of the Group's warehouses was rented to external party and earned rental income of HK$984,000 in 2013. There was also a fair value gain for this property amounting to HK$3,211,000 at the end of 2013.

Operating Expenses

Selling and distribution costs were HK$33,044,000 in 2013 compared with HK$32,515,000 in 2012, an increase of 1.6%. The Group incurred higher exhibition costs in 2013 as a result of participating in several exhibitions including the CIMT in Beijing, the biggest and most important machine tool exhibition in China which is held every two years.

Administration expenses amounted to HK$131,019,000 in 2013 compared with HK$136,198,000 in 2012, a decrease of 3.8%. The completion of a re-structuring programme after the middle of the year resulted in a saving of staff costs in 2013. Professional fees in 2013 were also lower than in 2012 (such fees were higher in 2012 due to the Group's acquisition of an associate, OPS Ingersoll Funkenerosion GmbH).

The business results of two associated companies, Mitutoyo Leeport Metrology Corporation and OPS Ingersoll Funkenerosion GmbH, were encouraging in 2013. Mitutoyo Leeport Metrology Corporation had a successful year in 2013 because it had the advantage of being the market leader in measuring instruments and its products were very competitive. Mitutoyo Leeport Metrology Corporation contributed HK$9,887,000 net profit to the Group's result. OPS Ingersoll Funkenerosion GmbH had good business in the German and US markets in 2013 contributing HK$3,308,000 net profit to the Group's result. The newly-formed associated company, Prima Power Suzhou Company Limited was under construction and the Group incurred shared loss of HK$287,000.

Finance costs net of interest income were HK$2,518,000 in 2013 compared with HK$3,232,000 in 2012, a decrease of 22.1%. The interest income in bank deposits was higher in 2013 as more deposits were placed with banks. Also the interest income for the loan to an associated company, OPS Ingersoll Funkenerosion GmbH in 2013 was higher than in 2012 as the loan was only effective from 1st April 2012.

Profit attributable to Owners of the Company and Earnings per Share

The profit attributable to owners of the Company was HK$6,493,000 in 2013 compared with HK$15,134,000 in 2012, representing a decrease of 57.1%.

For the year 2013, the operating loss before the finance costs, share of profits of associates and the income tax expenses was HK$5,571,000, as compared with operating loss of HK$10,257,000 in 2012. There was a significant improvement in 2013 due mainly to the higher gross profit in the year and the lower administrative expenses.

There was also, a gain for the Group on the disposal of its shareholding in Mitutoyo Leeport Metrology Corporation to Mitutoyo Corporation in 2012, amounting to HK$19,850,000. Excluding this factor, the Group's profit after taxation was HK$6,493,000 as at 31st December 2013 compared with a loss after taxation amounting to HK$5,267,000 as at 31st December 2012.

The basic earnings per share were HK2.93 cents and it were HK6.83 cents in 2012.

DIVIDENDS

No interim dividend was paid in the year 2013.

The Directors recommended a final dividend of HK1.5 cents per ordinary share, totalling HK$3,329,000 (2012: the final dividend was HK3.5 cents per ordinary share, totalling HK$7,768,000). This recommendation is subject to the approval of shareholders at the forthcoming Annual General Meeting, which will be held on 27th May 2014. Upon the approval of the shareholders, the final dividend warrant will be payable on or before 17th June 2014 to shareholders of the Company whose names appear on the register of members on 5th June 2014.

BUSINESS REVIEW

The global economy, including China, continued to be weak in 2013, and there was no significant improvement compared with 2012. The goal of the Chinese Government's latest strategic direction is to improve the quality of economic growth rather than its quantitative expansion. The volume of Government spending was restricted and investment was selective in the year. The global economic slow-down also affected China's exports. The GDP growth rate was 7.7% in 2013 compared with 7.8% in 2012. The value of industrial production grew at 7.6% in 2013 compared with 7.9% in 2012. The economic index indicates that the basic economic situation in China was stagnant in 2013.

In 2013, the Group's business was sustained mainly by the increased prosperity of the car, mobile phone manufacturing, accessories for electronic products and telecommunications equipment industries. China manufactured 22 million cars in 2013, an increase of 14.7% compared with 2012. The mobile phone manufacturing industry also grew by 23.2% in 2013 compared with 2012. However, business from the other industrial segments was relatively weak in 2013.

The Group's business performance in South East Asian countries was also disappointing. The economy in the region was affected by the economic slow-down in China and weak demand from Europe and the USA.

The value of the Group's contract bookings in the second half of 2013 was HK$374,429,000 compared with HK$396,436,000 in the first half of 2013. This indicates that the Group's business still lacks an upward momentum. The value of the Group's outstanding contracts at the end of February 2014 was HK$214,714,000.

Our associated companies (Mitutoyo Leeport Metrology Corporation and OPS Ingersoll Funkenerosion GmbH) made a significant contribution to the Group's results in 2013. With the enhancement of the support from Japan headquarters, Mitutoyo Leeport Metrology Corporation, a subsidiary of the world-leading measuring instruments manufacturer, achieved an outstanding performance for the business in Southern China in 2013. The increasing prosperity of the car and mobile phone manufacturing industries contributed to the success of the business for measuring instruments. Furthermore, due to the strong economy in Germany, OPS Ingersoll, the German machine tool company, also achieved a better result in 2013 compared with 2012. The increase in sales for OPS Ingersoll in the US market also contributed to the good result in 2013, whereas their sales in China were unsatisfactory.

FUTURE PLANS AND PROSPECTS

It is likely that 2014 will still be a challenging year for the Group's business. The economic situation in Europe and the USA will probably improve only very slowly. The GDP growth rate in China will most likely stay in the range of 7% to 8%, as it has in the past two years. The tightening credit control measures implemented by the Chinese Government continue to affect the liquidity of the loan market. Most small and medium-sized enterprises continue to face the problem of tight financial resources for investment. The Group's business will rely on orders from sizable and well-established customers. The car and mobile phone manufacturing industries will continue to be the key customer segments for the Group.

The Group expects an improvement in sales in 2014 compared with 2013. Individual business divisions will strengthen their sales management in order to upgrade the productivity of the sales force. The ongoing process of disposing of aged stocks is expected to contribute to the Group's results for the year. The Group will closely monitor its operating expenses and improve its operational efficiency.

In August 2013, the Group participated in establishing Prima Power Suzhou Company Limited, a new joint-venture manufacturing plant in Suzhou, China, and became one of the shareholders. The plant was established by the Italian firm Prima Industrie S.p.A., a world-leading manufacturer of sheetmetal processing machinery.

The commissioning of the plant is expected to take place by the end of 2014. The China-made machines will be more competitive and will increase the market share of Prima Power machinery in China. Leeport, as the exclusive distributor for Prima Power products in China, will as a consequence increase its revenue. It is expected that the co-operation with Prima Industrie S.p.A. will be further strengthened.

We foresee that in 2014, the business results of the associated companies Mitutoyo Leeport Metrology Corporation and OPS Ingersoll Funkenerosion GmbH will be as good as in 2013 and will make a significant contribution to the Group's results.

Despite the unclear global economic situation in 2014, the Group is taking appropriate action to handle the challenges it is facing. We are confident that the Group's business results in 2014 will improve.

The Group will continue to take up more new products and look for opportunities to go into joint-ventures with suitable partners.

On behalf of the Board, I would like to express my gratitude to all our shareholders, customers, suppliers, bankers, business associates and staff in the past year. I thank them all for their support and their contributions to the company's business in 2013.

LEE Sou Leung, Joseph
Chairman

Hong Kong, 14th March 2014

LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash net of overdraft of the Group as at 31st December 2013 was HK$51,444,000 (31st December 2012: HK$41,590,000). The Group maintained reasonable level of cash position. The Group's inventory balance as at 31st December 2013 was HK$65,761,000 (31st December 2012: HK$93,399,000). The Group continued to maintain tight control on purchase orders and put more effort on disposal of aged stock. The Group achieved significant reduction of inventory level in 2013. The turnover days of inventory was 40 at the end of December 2013 and it was 51 at the end of December 2012. The trade receivables and bills receivables balance was HK$115,616,000 as at 31st December 2013 (31st December 2012: HK$169,218,000). The turnover days of trade receivable was 57 and which was also a reasonable level. The trade payables and bills payables balance was HK$103,033,000 as at 31st December 2013 (31st December 2012: HK$135,124,000). The balance of short-term borrowing was HK$221,935,000 as at 31st December 2013 (31st December 2012: HK$226,126,000).

The Group's net gearing ratio was approximately 50% as at 31st December 2013 (31st December 2012: 50.8%) The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2013, the Group had aggregate banking facilities of approximately HK$807,359,000 of which approximately HK$297,655,000 was utilized, bearing interest at prevailing market rates and secured by certain leasehold land, land and buildings, investment property and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK$331,012,000 (31st December 2012: HK$329,880,000). The directors are confident that the Group is able to meet its operational and capital expenditure and requirements.

CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

In 2013, the Group spent a total of HK$4,255,000 (2012: HK$5,557,000) in capital expenditure, which primarily consisted of property, plant and equipment and leasehold land. As at 31st December 2013, the Group had capital commitments of HK$736,000 on property, plant and equipment and HK$7,073,000 on investment in an associated company (2012: HK$ Nil). In the meantime, total of HK$24,155,000 (2012: HK$20,381,000) contingent liabilities in respect of letters of guarantee was given to customers.

EXPOSURE OF FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

A substantial portion of the Group's sales and purchases were denominated in foreign currencies, which are subject to exchange rate risks. The Group will use the foreign exchange received from its customers to settle payment to overseas suppliers. In the event that any material payment cannot be fully matched, the Group will enter into foreign currency forward contracts with its bankers to minimize the Group's exposure to foreign exchange rate risks.

As at 31st December 2013, the Group has outstanding gross-settled foreign currency forward contracts to buy EUR626,000 for HK$6,625,000; JPY101,800,000 for USD1,008,000; RMB11,000,000 for HK$13,987,000; EUR3,000,000 for USD4,139,000 (2012: Buy EUR1,399,000 for HK$14,049,000; JPY62,750,000 for HK$5,927,000; JPY73,700,000 for USD929,000; JPY37,400,000 for RMB3,083,000; AUD259,000 for HK$2,095,000 and GBP23,000 for HK$288,000).

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31st December 2013, certain land and buildings, leasehold land, investment property and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK$331,012,000 (2012: HK$329,880,000) were pledged to secure the banking facilities of the Group by way of a fixed charge.

EMPLOYEES

As at 31st December 2013, the Group had 380 employees (2012: 476). Of these, 101 were based in Hong Kong, 252 were based in mainland China, and 27 were based in other offices around Asia. Competitive remuneration packages were structured to be commensurate with our employees' individual job duties, qualifications, performance and years of experience. In addition to basic salaries, MPF contributions and ORSO contributions, the Group offered staff benefits including medical schemes, educational subsidies, discretionary performance bonuses.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lee Sou Leung, Joseph, aged 70, the founder and the managing director of the Group, and the chairman of the Board, is responsible for the strategic planning, business development and overall management of the Group. Mr. Lee has over 40 years of experience in the distribution of machine tools, advanced equipment and industrial products. Mr. Lee graduated from Wah Yan College, Hong Kong and Hong Kong Technical College (Certificate in Production Engineering), which was subsequently renamed as the Hong Kong Polytechnic University.

Mr. Chan Ching Huen, Stanley, aged 56, also the company secretary and the chief financial officer of the Group, is responsible for overseeing the Group's financial planning and control, information technology, human resources and administration. Prior to joining the Group in October 2000, Mr. Chan held various managerial positions in the finance departments of several US based multi-national corporations in Hong Kong. Mr. Chan has many years of experience in auditing, financial and accounting management. Mr. Chan is a fellow member of the Chartered Association of Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants, and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chan graduated from the Hong Kong Polytechnic (which was subsequently renamed as the Hong Kong Polytechnic University) with a Higher Diploma in Accountancy and he also holds a Master's degree in Business Administration from Brunel University in the United Kingdom.

Mr. Wong Man Shun, Michael, aged 49, was appointed as executive director in January 2013. He is now responsible for all the equipment trading business within the Group. He holds a Bachelor of Science Degree in Engineering from the University of Hong Kong. Mr. Wong joined the Group in 1986 and was promoted as director of Leeport Precision Machine Tool Company Limited in January 2004 and Leeda Machinery Limited in May 2005. He is also a Honorary Vice President of the HK Electrical Appliance Industries Association, an executive committee member of the HK Mold and Die Council and a Director of the HK Mold & Product Technology Association.

NON-EXECUTIVE DIRECTOR

Dr. Lui Sun Wing, aged 63, was re-designated from independent non-executive director to executive director of the Group in July 2011. Dr. Lui was appointed by the Group as non-executive director since May 2003. He was the branch director of the Hong Kong Productivity Council between December 1992 and June 2000. Dr. Lui then was appointed as the Vice President of the Hong Kong Polytechnic University between July 2000 and June 2010. Dr. Lui also holds position of director, committee member, or advisor for various industrial and business associations. Dr. Lui has very broad experience in the industrial field. Currently, he is the independent non-executive director of Shanghai Electric Group Company Limited and non-executive director of Eco-Tek Holdings Limited, all listed companies in The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pike, Mark Terence, aged 57, is an associate member of the Institute of Chartered Accountants of Australia and the Hong Kong Institute of Certified Public Accountants and holds a Bachelor's Degree in Economics from the University of Sydney and a Postgraduate Certificate in Education from the University of Hong Kong. Mr. Pike has worked in Hong Kong in the commercial and educational fields for many years. Mr. Pike was appointed by the Group in May 2003.

Mr. Nimmo, Walter Gilbert Mearns, aged 67, was an executive director of China Northern Enterprises Investment Fund Ltd, securities of which are listed on The Stock Exchange of Hong Kong Limited, during the period from 10th September 2003 to 2nd December 2004. Mr. Nimmo has many years of professional experience in the areas of financial management, fund management and investment. He has obtained a degree in Economics in Cambridge University, UK and is a member of the Institute of Chartered Accountants of Scotland.

Dr. Lee Tai Chiu, aged 69, graduated in 1975 with a Doctor degree in Mechanical Engineering from Aston University, Birmingham, UK and a Master degree in Production Technology in 1971 from Brunel University, Uxrbridge, UK. He had worked as a graduate engineer at the Harrison & Sons in England. He had joined the now Hong Kong Polytechnic University as a Lecturer, Principal Lecturer, Professor and Associate Head of department. Owing to his contribution in technology, he was awarded an Honorary Professor of the Shandong University of Technology and also appointed as Honorary Fellow of the University of Warwick, United Kingdom. Apart from his connections with the academic circle, he is quite identified with the Industry as reflected by his many years as Honorary Consultant of the Hong Kong Metal Manufacturers Association.

SENIOR MANAGEMENT

Mr. Leung Wai Lun, Alan, aged 54, Operations Director of the Group, is responsible for the general support for the business development. Prior to joining the Group in December 2006, Mr. Leung had been Deputy Managing Director of a large technical service company, and has more than 20 years of solid experience in managing service operations including after sales service and quality assurance. Mr. Leung holds a Bachelor of Science degree in Mechanical Engineering from the University of Hong Kong, a Master degree of Business Administration from the Chinese University of Hong Kong, and membership of the Hong Kong Institution of Engineers, The Institute of Marine Engineering, Science & Technology (UK), The Institution of Engineering and Technology (UK), The Institute of Industrial Engineers (USA) and The Association of Chartered Certified Accountants (UK).

Mr. Sa Wai Keung, aged 52, the general manager of metalforming division of the Group. Mr. Sa has many years of experience in sales and marketing in respect of the sheet-metal machinery trading industry. He holds a Higher Diploma in Mechanical Engineering from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University). Mr. Sa joined the Group in 1988.

Mr. Chan Lai Ming, aged 55, the general manager of Leeport Technology Limited. He has extensive experience in marketing CAD/CAM software, rapid prototyping equipment and metrology equipment. Mr. Chan is an associate member of the Hong Kong Rapid Prototyping & Manufacturing Society. Mr. Chan holds a Diploma and a Higher Certificate of Production and Industrial Engineering from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) and a Master's Degree in Commerce from the University of Strathclyde in the United Kingdom. Mr. Chan joined the Group in July 1979.

Mr. Lam Chung Keung, aged 53, the general manager of Leeport Electronics Limited. Mr. Lam holds a Degree of Master of Science in Engineering from the University of Hong Kong. Prior to joining the Group in 2001, he was the regional manager, responsible for the PRC market, for a supplier of factory automation headquartered in the US. He has many years of experience in the electronics industry.

Mr. Lee Huat Eng, aged 57, the general manager of Leeport (Singapore) Pte. Ltd. and Leeport (Malaysia) Sdn. Bhd., is responsible for the marketing, management and business development in both Singapore and Malaysia. He holds a Bachelor's Degree in Commerce from Murdoch University, Western Australia and he is also an associate of the Australian Society of Certified Practising Accountants. Mr. Lee joined the Group in August 1992.

Mr. Chan Wo Yum, aged 61, the general manager of Leeport Tools Limited. Mr. Chan has many years of experience in sales and marketing of cutting tools. He holds a Bachelor's Degree in Commerce from Curtin University of Technology in Australia. He joined the Group in 1977.

Mr. Lau Yiu Man, Simon, aged 53, the general manager of tools division of the Group. Mr. Lau graduated from The Chinese University of Hong Kong and holds a Bachelor of Science degree followed by a Master of Business Administration degree from Hong Kong Polytechnic University. He has many years of sales and marketing experience substantially in industrial consumables of global brands along with consumer products. He joined the Group in February 2005.

The Directors submit their report together with the audited financial statements for the year ended 31st December 2013.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 9 to the consolidated financial statements.

An analysis of the Group's performance for the year by geographical segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2013 are set out in the consolidated income statement on page 33.

The details of dividends paid and declared during the year are set out in Note 31 to the consolidated financial statements.

The Directors recommend the payment of a final dividend of HK1.5 cents (2012: HK3.5 cents) per ordinary share, totalling HK$3,329,000 (2012: HK$7,768,000).

RESERVES

Movements in reserves of the Group and of the Company during the year are set out in Note 19 to the consolidated financial statements.

DONATIONS

Charitable and other donations amounted to HK$26,000 were made by the Group during the year (2012: HK$48,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 7 to the consolidated financial statements.

LEASEHOLD LAND

Details of the movements in leasehold land of the Group are set out in Note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 18 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2013, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to HK$104,140,000 (2012: HK$100,126,000).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 116 of the annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

BORROWINGS

Details of the Group's borrowings, including secured bank loans, trust receipt loans and overdrafts as at 31st December 2013 are set out in Note 21 to the consolidated financial statements.

SHARE OPTIONS

Pursuant to the resolution passed by the shareholders of the Company in the annual general meeting held on 15th May 2013, the Company had adopted a new share option scheme (the "Scheme") to replace the old one for the principal purpose of providing incentives and rewards to eligible participants who contribute to the growth and success of the Group. Under the Scheme, the directors of the Company may, at their absolute discretion, invite (i) any employees (whether full time or part time) of any member of the Group or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive director; (ii) any non-executive director (including independent non-executive director) of any member of the Group or any Invested Entity; (iii) any consultant, adviser or agent engaged by any member of the Group or Invested Entity, who, under the terms of relevant engagement with the Group or the relevant Invested Entity, is eligible to participate in a share option scheme of the Company; and (iv) any vendor, supplier of goods or services or customer of or to any member of the Group or Invested Entity who, under the terms of relevant agreement with the Group or the relevant Invested Entity, is eligible to participate in a share option scheme of the Company. The Scheme became effective on 15th May 2013 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption on 15th May 2013. There is no change to the terms of the Scheme since adoption.

The total number of shares of the Company issuable upon exercise of all options granted and may be granted under the Scheme and any other share option scheme of the Group is 22,193,406, representing 10% of the issued shares of the Company as at the date of this annual report, and such limit is subject to renewal with shareholders' approval. The maximum number of shares issuable upon exercise of the options granted to each eligible participant under the Scheme and any other share option scheme of the Group in any twelve-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, shall require the approval of the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue for the time being and with an aggregate value (based on the closing price of the Company's shares as at the date of the grant) in excess of HK$5 million, within any twelve-month period, are subject to shareholders' approval in advance in a general meeting.

As an overall limit, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company shall not, in aggregate, exceed 30% of the Company's shares in issue from time to time.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the proposed grantee. The exercise period of the share options granted is determined by the directors, which shall not end on a date more than 10 years from the date on which the share option is granted or deemed to be granted in accordance with the Scheme. Unless otherwise determined by the directors, the Scheme does not require a minimum period for which the share options must be held or a performance target which must be achieved before the share options can be exercised.

The exercise price of the share options is determined by the directors of the Company, and shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Details of the Scheme are set out in the circular dated 15th April 2013.

Movement of share options during the year is set out in Note 18 to the consolidated financial statements.

DIRECTORS

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

Executive directors

Mr. LEE Sou Leung, Joseph *(Chairman)*	
Mr. CHAN Ching Huen, Stanley	
Mr. WONG Man Shun, Michael	
Dr. LUI Sun Wing	(re-designated as non-executive director on 1st July 2013)
Ms. TAN Lisa Marie	(resigned on 1st January 2013)

Non-executive director

Dr. LUI Sun Wing	(re-designated on 1st July 2013)

Independent non-executive directors

Mr. PIKE, Mark Terence
Mr. NIMMO, Walter Gilbert Mearns
Dr. LEE Tai Chiu

In accordance with Article 87(1) of the Company's Bye-Laws, one third of the directors (or if the number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation at each annual general meeting.

Mr. CHAN Ching Huen, Stanley, Mr. PIKE, Mark Terence and Mr. NIMMO, Walter Gilbert Mearns are subject to re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of two or three years, and will continue thereafter until terminated by each party thereto giving to the other party three months' prior notice in writing, or three months' basic salary in lieu of notice.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

A director, Mr. LEE Sou Leung, Joseph, has entered into lease agreements for the lease of office premises to one of the subsidiaries of the Group for the year amounted to HK$70,000 and sold the office property to a subsidiary at a consideration of RMB2,700,000 (equivalent to approximate HK$3,429,000). The directors are of the opinion that the transactions have been entered into in the ordinary and usual course of business of the Group, the terms are negotiated on an arm's length basis and on normal commercial terms, and are fair and reasonable in the interests of the shareholders of the Company as a whole.

Saved as disclosed herein, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on page 9 to 11.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31st December 2013, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations and their associates (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company, were as follows:

		Number of ordinary shares of HK$0.10 each held					
Director		Personal interests	Family interests	Other interests	Share options (Note (d))	Total	Percentage
Mr. LEE Sou Leung, Joseph ("Mr. Lee")	Long position	17,960,000 shares	1,396,000 shares (Note (b))	144,529,982 shares (Note (a))	Nil	163,885,982 shares	73.84%
Mr. CHAN Ching Huen, Stanley ("Mr. Chan")	Long position	780,000 shares	Nil	Nil	Nil	780,000 shares	0.35%
Mr. NIMMO, Walter Gilbert Mearns ("Mr. Nimmo")	Long position	100,000 shares	402,445 shares (Note (c))	Nil	Nil	502,445 shares	0.23%
Dr. LUI Sun Wing ("Dr. Lui")	Long position	100,000 shares	Nil	Nil	1,740,000 shares	1,840,000 shares	0.83%
Mr. WONG Man Shun, Michael ("Mr. Wong")	Long position	432,000 shares	Nil	Nil	Nil	432,000 shares	0.19%

(a) The 144,529,982 shares are held by Peak Power Technology Limited in its capacity as the trustee of The Lee Family Unit Trust holding the same for the benefit of holders of units issued by The Lee Family Unit Trust. HSBC International Trustee Limited is the trustee of the LMT Trust whose discretionary objects are Ms. Tan Lisa Marie and Mr. Lee's family members. The aforesaid shares that Mr. Lee and Ms. Tan are deemed to be interested refer to the same parcel of shares.

(b) Mr. Lee is the husband of Ms. Tan Lisa Marie. The personal interests of Ms. Tan above are also disclosed as the family interests of Mr. Lee and Ms. Tan is deemed to be interested in all the interests held by her husband.

(c) The 402,445 shares are beneficially owned by Mr. Nimmo's spouse.

(d) Information relating to the share options held by the directors is disclosed in the share options section in Note 18 to the consolidated financial statements.

SHARE OPTIONS

Other than as disclosed above, and other than those as disclosed in the share options section in Note 18 to the consolidated financial statements, at no time during the year was the Company, its subsidiaries or its holding company a party to any arrangement to enable the directors and chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

At 31st December 2013, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the directors as disclosed above.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentage of sales for the year attributable to the Group's five largest customers is less than 30% of total sales for the year and therefore no disclosure with regard to major customers is made. The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

Purchases	
– the largest supplier	26%
– five largest suppliers combined	72%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers noted above.

CORPORATE GOVERNANCE

During the year ended 31st December 2013, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following:

Code Provision A.2.1

The Board is of the view that although Mr. Lee Sou Leung, Joseph is the Chairman and the Managing Director of the Company, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting operation of the company. The Company has no such title as the chief executive officer.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES ("MODEL CODE")

For the year ended 31st December 2013, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31st December 2013 under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. PIKE, Mark Terence, Mr. NIMMO, Walter Gilbert Mearns and Dr. LEE Tai Chiu, has reviewed the accounting principles and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the condensed consolidated financial statements for the year ended 31st December 2013 with the directors.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the percentage of the ordinary shares in public hands exceed 25% as at 14th March 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to rule 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive directors. The Company confirms that it has received from each of the independent non-executive directors a confirmation of his independence pursuant to rule 3.13 and the Company still considers all the existing independent non-executive directors to be independent.

PENSION SCHEME ARRANGEMENTS

The Group operated a defined contribution retirement scheme, an Occupational Retirement Scheme, for qualified employees, including executive directors of the Company, in Hong Kong prior to 1st December 2000. The cost charged to the income statement represents contributions payable or paid to the funds by the Group at the rate of 5% of the salary with a current ceiling of HK$1,250 per month for general staff and there is no ceiling for managerial staff. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

With effect from 1st December 2000, a Mandatory Provident Fund scheme (the "MPF scheme") has been set up for employees in Hong Kong, in accordance with the Mandatory Provident Fund Scheme Ordinance. Commencing on 1st December 2000, the existing employees in Hong Kong may elect to join the MPF scheme, and all new employees in Hong Kong are required to join the MPF scheme. Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings with a current ceiling of HK$1,250 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The MPF contributions charged to the income statement represent the contributions payable to the funds by the Group.

Employees of the Company's subsidiaries in the People's Republic of China (the "PRC") are required to participate in defined contribution retirement schemes operated by the local municipal governments. The retirement schemes for employees of the Company's overseas subsidiaries follow the local statutory requirements of the respective countries. Contributions are made to the schemes based on a certain percentage of the applicable employee payroll.

Details of the pension scheme contributions of the Group for the year ended 31st December 2013 are set out in Note 25(a) to the consolidated financial statements.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LEE Sou Leung, Joseph
Chairman

Hong Kong, 14th March 2014

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") and the management of the Company and its subsidiaries (together, the "Group") are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices have always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

The Board has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability.

The Board is pleased to report compliance with the code provisions of the CG Code for the year ended 31st December 2013, except where otherwise stated.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all directors, the directors confirmed that they had complied with the required standard set out in the Model Code throughout the year.

Board of Directors

The Board comprises:

Executive Directors	:	Mr. LEE Sou Leung, Joseph *(Chairman)* Mr. CHAN Ching Huen, Stanley Mr. Wong Man Shun, Michael
Non-executive Director	:	Dr. LUI Sun Wing
Independent Non-executive Directors	:	Mr. PIKE Mark Terence Mr. NIMMO, Walter Gilbert Mearns Dr. LEE Tai Chiu

Each independent non-executive director has given an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

During the financial year ended 31st December 2013, a total of 6 Board meetings and one annual general meeting ("2013 AGM") were held and the attendance of each director is set out as follows:

Name of director	Number of meetings attended in the year ended 31st December 2013 Board meetings	2013 AGM
Mr. LEE Sou Leung, Joseph	6/6	1/1
Mr. CHAN Ching Huen, Stanley	6/6	1/1
Mr. WONG Man Shun, Michael	6/6	1/1
Dr. LUI Sun Wing	6/6	1/1
Mr. PIKE Mark Terence	6/6	1/1
Mr. NIMMO, Walter Gilbert Mearns	6/6	1/1
Dr. LEE Tai Chiu	6/6	1/1

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies and operational goals, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Board held meetings from time to time whenever necessary. The company secretary assists in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed.

Minutes of every Board meeting are circulated to all directors for their perusal and comments prior to confirmation of the minutes at the following board meeting. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lee Sou Leung, Joseph is the Chairman and the Managing Director of the Company. Mr. Lee Sou Leung, Joseph has extensive experience in the industry which is beneficial and of great value to the overall development of the Company.

The Board is of the view that although the Chairman is also the Managing Director, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meets from time to time to discuss issues affecting operation of the Company. The Company has no such title as the chief executive officer.

The Board also believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive director is appointed for an initial term which is renewable automatically each year. All independent non-executive directors are appointed for a specific term which may be renewed as each director and the Company may agree in writing. However, their appointments are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provision of the Bye-laws of the Company (the "Bye-laws").

The Bye-laws of the Company provides that at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

PROFESSIONAL DEVELOPMENT

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. All directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the company secretary of the Company.

Mr. Lee Sou Leung, Joseph, Mr. Chan Ching Huen, Stanley and Mr. Wong Man Shun, Michael, being executive Directors, have attended various seminars and meetings organised by such as Hong Kong Institute of Certified Public Accountant, and Hong Kong Investor Relations Association to develop and refresh their knowledge so as to ensure that their contribution to the Board remains informed and relevant. Mr. Pike Mark Terence, Mr. Nimmo Walter Gilbert Mearns, Dr. Lui Sun Wing and Dr. Lee Tai Chiu, being non-executive Directors, have participated in continuous professional development programs provided by, among others, PriceWaterhouseCoopers, University of Sydney and Hong Kong Securities Institute. All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy effective on 1st September 2013 which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 7 directors. Four of the directors are non-executive directors and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of nationality, professional background and skills.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises 3 independent non-executive directors, who have reviewed the financial statements for the year ended 31st December 2013. Two members have accounting professional qualifications and/or related financial management expertise. Mr. Pike, Mark Terence is the chairman of the Audit Committee.

No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

Our Audit Committee has primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Company is properly measured and reported on, receiving and reviewing reports from management and the auditors relating to the annual and interim accounts, and monitoring the accounting and internal control system in use throughout the Group.

According to the current terms of reference, meetings of the Audit Committee shall be held at least twice a year. 2 meetings were held during the year ended 31st December 2013. The attendance of each member is set out as follows:

Name of members of Audit Committee	Number of meetings attended in the financial year ended 31st December 2013
Mr. PIKE Mark Terence	2/2
Mr. NIMMO, Walter Gilbert Mearns	2/2
Dr. LEE Tai Chiu	2/2

At the meetings held during the year, in performing its duties in accordance with its terms of reference, the work performed by the Audit Committee included:

(a) review and supervise the financial reporting process and internal control system of the Company and its subsidiaries;

(b) recommendation to the Board, for the approval by shareholders, of the re-appointment of PricewaterhouseCoopers as the external Auditor and approval of their remuneration;

(c) determination of the nature and scope of the audit; and

(d) review the financial statements for the relevant periods.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 10th September 2005 comprising the existing three independent non-executive directors and Mr. Lee Sou Leung, Joseph. Mr. Nimmo is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Remuneration Committee include consulting the chairman of the Board about their remuneration proposals for other executive directors, making recommendation to the Board on the Company's remuneration policy and structure for all directors' and senior management and the Remuneration Committee has adopted the approach under B.1.2(c)(ii) of the code provisions to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

Meeting of the Remuneration Committee shall be held at least once a year. One meeting was held during the year ended 31st December 2013. During the meeting, the committee has reviewed the remuneration policy of the Group and the directors' remuneration.

The attendance of each member is set out as follows:

Name of members of Remuneration Committee	Number of meetings attended in the financial year ended 31st December 2013
Mr. LEE Sou Leung, Joseph	1/1
Mr. PIKE Mark Terence	1/1
Mr. NIMMO, Walter Gilbert Mearns	1/1
Dr. LEE Tai Chiu	1/1

The Company has adopted a new share option scheme on 15th May 2013, which serves as an incentive to attract, retain and motivate staff. Details of such share option scheme are set out in Note 18 to the consolidated financial statements.

The emolument payable to directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the directors' emolument are set out in note 25 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") comprises Mr. Lee Sou Leung, Joseph ("Mr. Lee") and the existing three independent non-executive directors. Mr. Lee is the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive officer. In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the machinery industry and/or other professional areas.

Meeting of the Nomination Committee shall be held at least once a year. One meeting was held during the year ended 31st December 2013. Issues concerning the structure, size and composition of the board of directors were discussed and no change has been proposed to the structure, size and composition.

The attendance of each member is set out as follows:

Name of members of Nomination Committee	Number of meetings attended in the financial year ended 31st December 2013
Mr. LEE Sou Leung, Joseph	1/1
Mr. PIKE Mark Terence	1/1
Mr. NIMMO, Walter Gilbert Mearns	1/1
Dr. LEE Tai Chiu	1/1

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other performance of the Company.

The directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group. The consolidated financial statements prepared by the directors of the Company are prepared and presented to enable a balanced, clear and comprehensible assessment of the Company's performance, position and prospects. The directors are responsible for overseeing the preparation of consolidated financial statements of each financial period. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Internal Control and Risk Management

The Board is responsible for overseeing the Company's system of internal control.

To facilitate effective and efficient operations and to ensure compliance with relevant laws and regulations, the Group emphasises on the importance of an internal control system which is also indispensable to mitigating the Group's risk exposures. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted during the year ended 31st December 2013 is sound and is effective to safeguard the interests of the shareholders' investment and the Company's assets.

AUDITORS' REMUNERATION

The amount of fees charged by the Group's auditors in respect of their audit services is disclosed in Note 24 to the consolidated financial statements. The Audit Committee is responsible for reviewing the remuneration and terms of engagement of the external auditors and for making recommendation to the Board regarding any non-audit services to be provided to the Group by the external auditors.

For the year ended 31st December 2013, the fees paid and payable to the auditors were primarily for audit services as there were no material non-audit service assignments undertaken by them.

COMPANY SECRETARY

Mr. Chan Ching Huen, Stanley was appointed as company secretary of the Company since 2003. The biographical details of Mr. Chan Ching Huen, Stanley are set out under the section headed "Biographical Details of Directors and Senior Management".

According to Rule 3.29 of the Listing Rules, Mr. Chan has taken no less than 15 hours of relevant professional training during the financial year ended 31st December 2013.

SHAREHOLDERS' RIGHTS

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the company secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

Shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting; or (ii) not less than 100 shareholders, can submit a written request to the company secretary of the Company stating the resolution intended to be moved at the general meeting or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

As regards proposing a person for election as a director, please refer to the procedures available on the website of the Company.

The above procedures are subject to the Company's Bye-laws, the Bermuda Companies Act 1981 and applicable legislation and regulation (as amended from time to time). Shareholders who have enquiries about the above procedures or have enquiries to put to the Board may write to the company secretary of the Company at the principal place of business at 1st Floor, Block 1, Golden Dragon Industrial Centre, 152-160 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong or by e-mail to main@Leeport.com.hk for the attention of the company secretary.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.Leeport.com.hk.

During the year ended 31st December 2013, there had been no significant change in the Company's constitutional documents.

Independent Auditor's Report

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF LEEPORT (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Leeport (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 30 to 115, which comprise the consolidated and company balance sheets as at 31st December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 Companies Act 1981 of Bermuda 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.

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

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

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14th March 2014

Consolidated Balance Sheet

As at 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**178,433**	225,134
Leasehold land	6	**9,359**	6,856
Investment property	8	**37,700**	–
Investments in associates	10	**69,205**	62,182
Loan to an associate	36(e)	**32,148**	30,805
Prepayment for property, plant and equipment		**1,705**	–
		328,550	324,977
Current assets			
Inventories	15	**65,761**	93,399
Trade receivables and bills receivables	14	**115,616**	169,218
Other receivables, prepayments and deposits	14	**30,336**	49,012
Available-for-sale financial assets	12	**17,242**	16,522
Derivative financial instruments	13	**105**	258
Amounts due from associates	36(d)	**1,764**	2,567
Tax recoverable		**311**	260
Restricted bank deposits	16	**139,030**	129,852
Cash and cash equivalents	16	**51,509**	41,590
		421,674	502,678
Total assets		**750,224**	827,655
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	18	**22,193**	22,193
Other reserves	19	**173,973**	199,991
Retained earnings			
– Proposed final dividend		**3,329**	7,768
– Others		**141,267**	133,233
Total equity		**340,762**	363,185

As at 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	22	**22,188**	25,662
Current liabilities			
Trade payables and bills payables	20	**103,033**	135,124
Other payables, accruals and deposits received	20	**62,016**	76,243
Derivative financial instruments	13	**290**	1,315
Borrowings	21	**221,935**	226,126
		387,274	438,808
Total liabilities		**409,462**	464,470
Total equity and liabilities		**750,224**	827,655
Net current assets		**34,400**	63,870
Total assets less current liabilities		**362,950**	388,847

The notes on pages 39 to 115 are an integral part of these consolidated financial statements.

The financial statements on pages 30 to 115 were approved by the Board of Directors on 14th March 2014 and were signed on its behalf

LEE Sou Leung, Joseph
Director

CHAN Ching Huen, Stanley
Director

Balance Sheet

As at 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**91,645**	91,645
Current assets			
Amounts due from subsidiaries	9	**63,594**	71,185
Other receivables and prepayments	14	**418**	336
Cash and cash equivalents	16	**6**	49
		64,018	71,570
Total assets		**155,663**	163,215
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	18	**22,193**	22,193
Other reserves	19	**120,561**	132,221
Retained earnings			
– Proposed final dividend		**3,329**	7,768
– Others		**9,366**	913
Total equity		**155,449**	163,095
LIABILITIES			
Current liabilities			
Other payables	20	**192**	99
Tax payable		**22**	21
Total liabilities		**214**	120
Total equity and liabilities		**155,663**	163,215
Net current assets		**63,804**	71,450
Total assets less current liabilities		**155,449**	163,095

The notes on pages 39 to 115 are an integral part of these consolidated financial statements.

The financial statements on pages 30 to 115 were approved by the Board of Directors on 14th March 2014 and were signed on its behalf.

LEE Sou Leung, Joseph
Director

CHAN Ching Huen, Stanley
Director

Consolidated Income Statement

For the Year ended 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
Continuing operations			
Sales	5	**745,599**	930,630
Cost of goods sold	24	**(607,635)**	(795,081)
Gross profit		**137,964**	135,549
Other income and gains-net	23	**20,528**	22,907
Selling and distribution costs	24	**(33,044)**	(32,515)
Administrative expenses	24	**(131,019)**	(136,198)
Operating loss		**(5,571)**	(10,257)
Finance income	26	**2,845**	2,109
Finance expenses	26	**(5,363)**	(5,341)
Finance expenses – net	26	**(2,518)**	(3,232)
Share of profits of associates	10	**12,908**	6,503
Gain on disposal of a subsidiary	32(b)	**–**	2,869
Profit/(loss) before income tax		**4,819**	(4,117)
Income tax credit/(expense)	27	**1,674**	(1,150)
Profit/(loss) for the year from continuing operations		**6,493**	(5,267)
Discontinued operations			
Profit for the year from discontinued operations	17	**–**	20,963
Profit for the year		**6,493**	15,696
Profit attributable to:			
Owners of the Company		**6,493**	15,134
Non-controlling interests		**–**	562
		6,493	15,696

Consolidated Income Statement (Continued)

For the Year ended 31st December 2013

	Note	**2013 HK$'000**	2012 HK$'000
Profit attributable to owners of the company arises from:			
Continuing operations		**6,493**	(5,267)
Discontinued operations		**–**	20,401
		6,493	15,134
Earnings/(loss) per share for the year from continuing and discontinued operations attributable to owners of the Company			
Basic and diluted earnings/(loss) per share	30		
From continuing operations		**HK2.93 cents**	HK(2.37) cents
From discontinued operations		**–**	HK9.20 cents
		HK2.93 cents	HK6.83 cents
Dividends	31	**3,329**	7,768

The notes on pages 39 to 115 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the Year ended 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
Profit for the year		**6,493**	15,696
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Currency translation differences		**(43,048)**	(21,949)
Items that may be reclassified to profit or loss			
Gain on revaluation of land and buildings	19	**26,646**	36,498
Movement of deferred tax	19	**1,209**	(8,300)
Change in value of available-for-sale financial assets, net of tax	19	**720**	2,652
Currency translation differences		**2,376**	646
Share of other comprehensive loss of associates		**(9,402)**	–
		21,549	31,496
Other comprehensive (loss)/income for the year, net of tax		**(21,499)**	9,547
Total comprehensive (loss)/income for the year		**(15,006)**	25,243
Attributable to:			
Owners of the Company		**(15,006)**	25,179
Non-controlling interests		**–**	64
Total comprehensive (loss)/income for the year		**(15,006)**	25,243
Total comprehensive (loss)/income attributable to owners of the Company arises from:			
Continuing operations		**(15,006)**	6,772
Discontinued operations		**–**	18,407
		(15,006)	25,179

The notes on pages 39 to 115 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year ended 31st December 2013

	Note	Attributable to owners of the Company			
		Share capital (Note 18) HK$'000	Other reserves (Note 19) HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st January 2013		**22,193**	**199,991**	**141,001**	**363,185**
Comprehensive income					
Profit for the year		–	–	6,493	6,493
Other comprehensive income					
Gain on revaluation of land and buildings		–	26,646	–	26,646
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	19	–	(4,870)	4,870	–
Movement of deferred tax		–	1,209	–	1,209
Change of value of available-for-sale financial assets		–	720	–	720
Currency translation differences		–	(40,672)	–	(40,672)
Share of other comprehensive loss of associates		–	(9,402)	–	(9,402)
Total other comprehensive loss, net of tax		–	(26,369)	4,870	(21,499)
Total comprehensive loss		–	(26,369)	11,363	(15,006)
Total contributions by and distributions to owners of the Company recognised directly in equity					
Employees share option scheme:					
Share option scheme – value of services provided		–	351	–	351
Dividend paid relating to 2012		–	–	(7,768)	(7,768)
Total transaction with owners, recognised directly in equity		–	351	(7,768)	(7,417)
Balance at 31st December 2013		**22,193**	**173,973**	**144,596**	**340,762**

Consolidated Statement of Changes in Equity (Continued)

For the Year ended 31st December 2013

	Note	Attributable to owners of the Company				
		Share capital (Note 18) HK$'000	Other reserves (Note 19) HK$'000	Retained earnings HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1st January 2012		22,055	211,503	134,962	14,853	383,373
Comprehensive income						
Profit for the year		–	–	15,134	562	15,696
Other comprehensive income						
Gain on revaluation of land and buildings		–	36,498	–	–	36,498
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	19	–	(4,138)	4,138	–	–
Movement of deferred tax		–	(8,300)	–	–	(8,300)
Available-for-sale financial assets		–	2,652	–	–	2,652
Currency translation differences		–	(20,805)	–	(498)	(21,303)
Total other comprehensive income, net of tax		–	5,907	4,138	(498)	9,547
Total comprehensive income		–	5,907	19,272	64	25,243
Total contributions by and distributions to owners of the Company recognised directly in equity						
Employees share option scheme:						
Share option scheme						
– value of services provided		–	34	–	–	34
– proceeds from shares issued	19	138	708	–	–	846
Disposal of subsidiaries with loss of control	32(c)	–	(17,821)	–	(15,057)	(32,878)
Dividend paid relating to 2011		–	–	(13,233)	–	(13,233)
Total contributions by and distributions to owners of the Company		138	(17,079)	(13,233)	(15,057)	(45,231)
Changes in ownership interests in subsidiaries without change of control	35(a)	–	(340)	–	140	(200)
Total transaction with owners, recognised directly in equity		138	(17,419)	(13,233)	(14,917)	(45,431)
Balance at 31st December 2012		22,193	199,991	141,001	–	363,185

The notes on pages 39 to 115 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the Year ended 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Cash generated from operations	32	**47,583**	25,437
Interest paid		**(5,363)**	(5,341)
Income tax paid		**(672)**	(2,591)
Net cash generated from operating activities		**41,548**	17,505
Cash flows from investing activities			
Purchase of property, plant and equipment	7	**(1,443)**	(5,557)
Prepayment of property, plant and equipment		**(1,705)**	–
Proceeds from sale of property, plant and equipment	32(a)	**480**	29
Acquisition of additional interest in a subsidiary	35(a)	**–**	(200)
Purchase of available-for-sale financial assets	12	**–**	(6,634)
Investment in an associate	10	**(4,399)**	(15,679)
Loan to an associate	36(e)	**–**	(30,805)
Net cash outflow from disposal of discontinued operations	32(c)	**–**	(21,185)
Purchase of a leasehold land		**(2,812)**	–
Proceeds from disposal of a subsidiary, net of cash disposed	32(b)	**–**	2,850
Interest received		**–**	2,109
Dividend received		**882**	–
Increase in restricted bank deposits		**(9,178)**	(29,155)
Net cash used in investing activities		**(18,175)**	(104,227)
Cash flows from financing activities			
(Repayment of)/proceeds from collateralised borrowings and bank loans		**(4,256)**	56,389
Proceeds from issuance of ordinary shares		**–**	846
Dividends paid to the Company's shareholders		**(7,768)**	(13,233)
Net cash (used in)/generated from financing activities		**(12,024)**	44,002
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**11,349**	(42,720)
Cash, cash equivalents and bank overdrafts at beginning of the year		**41,590**	86,162
Effect of the exchange rate for the year		**(1,495)**	(1,852)
Cash, cash equivalents and bank overdrafts at end of the year	16	**51,444**	41,590

The notes on pages 39 to 115 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Leeport (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the trading, installation and provision of after-sales service of metalworking machinery, measuring instruments, cutting tools and electronic equipment.

The Company is a limited liability company incorporated in Bermuda and domiciled in Hong Kong. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 14th March, 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land in Hong Kong and buildings, investment property, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(i) The following amendments to standards and interpretations are mandatory for the Group's financial year beginning on 1st January 2013. The adoption of these amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Annual Improvements Project	Annual Improvements 2009–2011 cycle

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(ii) The following standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning on 1st January 2013 that not currently relevant to the Group and have not been early adopted:

		Effective for the accounting period beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation on Asset and Liability Offsetting	1st January 2014
HKAS 36 (Amendment)	Impairment of Assets on Recoverable Amount Disclosure	1st January 2014
HKAS 39 (Amendment)	Financial Instruments: Recognitions and Measurement – Novation of derivatives	1st January 2014
HKFRS 10, 12 and HKAS 27 Amendment)	Consolidation for Investment Entities	1st January 2014
HK (IFRIC) 21	Levies	1st January 2014
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures	1st January 2015
HKFRS 9	Financial Instruments	1st January 2015

The Group is currently assessing the impact of the adoption of the above new standards, amendments to standards and interpretations that have been issued but are not yet effective for financial years beginning on 1st January 2013, and does not expect there will be a significant impact to the Group’s financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

During the year, there have been no business combinations in the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profits of associates' in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates (Continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). As the Company is listed on the Main Board of the Stock Exchanges of Hong Kong, the directors considers that it will be more appropriate to present the consolidated financial statements in HK$. The Company's functional currency is Japanese Yen ("JPY").

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement within "other income and gains – net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

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, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, 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, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

Leasehold land in Hong Kong and buildings comprise mainly offices, warehouses, showrooms and directors' quarters. Leasehold land in Hong Kong and buildings are shown at fair value, based on periodic, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land in Hong Kong and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

Leasehold land in Hong Kong classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Land and buildings	1-4%
Leasehold improvements	10%
Plant, machinery, furniture and equipment	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (Continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other income and gains – net', in the consolidated income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.7 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in 'other gains – net'.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Discontinued operations (Continued)

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2.10 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables and bills receivables', 'other receivables and deposit', 'restricted bank deposits' and 'cash and cash equivalents' in the Company's and consolidated balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/ gains – net' in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

Offsetting financial instruments (Continued)

Impairment of financial assets

(a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

Offsetting financial instruments (Continued)

Impairment of financial assets (Continued)

(b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a). In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.11 Derivative financial instruments

Derivatives financial instruments are initially recognised at fair value on the date derivative contracts are entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

The Group does not designate any derivatives as hedging instruments. Changes in fair values of derivatives that do not quality for hedge accounting are being included in the consolidated income statement as "other gains/(loss) – net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis, comprising all direct costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognized in the consolidated income statement in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(b) *Bonus plans*

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) *Pension obligations*

Group companies operate various defined contribution pension schemes, which are available to all qualified employees, the assets of which are held in separate trustee administered funds. The pension plans are funded by payments from employees and by the relevant Group companies. Contributions to the schemes by the Group are charged to the consolidated income statement as incurred.

(d) *Share-based payments*

Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period);
- and including the impact of any non-vesting conditions (for example, the requirement for employees to save).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (Continued)

(d) Share-based payments (Continued)

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate employment without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions (Continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

The Group recognises a warranty provision for repairs or replacement of products still under warranty period at the end of reporting period. The provision is calculated based on past historical experience of the level of repairs and replacements.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Service income under service agreements is recognised on a straight-line basis over the life of the agreement. Other service income is recognised when the services are rendered.

Rental income from investment property is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

Commission income is recognised when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain leasehold land. Leases of leasehold land where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the executive directors. The executive directors identify, evaluate and hedge financial risks in close co-operation with the Group's operating units.

(a) Market risk

Foreign currency risk

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency by using forward contracts, translated with group treasury. The functional currency of the entity should primarily be determined with reference to the primary economic environment in which an entity operates and this will normally be the one in which it primarily generates and expends cash. The functional currency of the Company and certain subsidiaries are JPY. The consolidated financial statements are presented in HK$.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

Foreign currency risk (Continued)

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. As at 31st December 2013, the foreign exposure of group entities with functional currency other than JPY is insignificant. The foreign exposure of group entities with functional currency of JPY is mainly exposed to Renminbi ("RMB"), HK$ and United States dollars ("USD"). The net monetary assets/(liabilities) of these subsidiaries denominated in RMB, HK$ and USD expressed in terms of HK$ are HK$86,364,000 (2012: HK$79,354,000), HK$(158,988,000) (2012: HK$(118,551,000)) and HK$(15,489,000) (2012: HK$(15,013,000)) respectively.

As at 31st December 2013, a 5% strengthening of the JPY against RMB, HK$ and USD would have decreased/(increased) post-tax profit for the year by HK$4,318,000 (2012: HK$3,968,000), HK$(7,949,000) (2012: HK$(5,928,000)) and HK$(774,000) (2012: HK$(751,000)) respectively. A 5% weakening of JPY against RMB, HK$ and USD would have had the equal but opposite effect on these currencies to the amounts shown above, on the basis that all other variables remain constant.

For the presentation of market risks above, HKFRS 7 'Financial Instruments: Disclosures' requires disclosure of a sensitivity analysis for each type of market risks that shows the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the end of the reporting period in the consolidated income statement and total equity.

The effect that is disclosed assumes that a hypothetical change of the relevant risk variable had occurred at the end of the reporting period and had been applied to the relevant risk variable in existence on that date.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

Foreign currency risk (Continued)

The preparation and presentation of the sensitivity analysis on market risk is solely for compliance with HKFRS 7 disclosure requirements in respect of financial instruments. The sensitivity analysis measures changes in the fair value of the Group's financial instruments from hypothetical instantaneous changes in one risk variable, the amount so generated from the sensitivity analysis are what-if forward-looking estimates. The sensitivity analysis is for illustration purposes only and it should be noted that in practice market rates rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the global markets which may cause fluctuations in market rates to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and losses.

(b) Credit risk

The Group has no significant concentrations of credit risk. The Group's credit risk arises from cash and cash equivalents, restricted bank deposits, counter party risk in respect of derivative financial instruments, as well as credit exposures to trade and bills receivables as well as other receivables. The Group considers its maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in Note 11(a).

To manage the counter party risk and credit risk in respect of cash and cash equivalents and restricted bank deposits, cash and deposits are mainly placed with reputable banks which are all high-credit-quality financial institutions. In addition, the Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history, appropriate percentage of down payment and to perform periodic credit evaluations of its customers or made in cash. Collection of outstanding receivable balances and authorisation of credit limits to individual customers are closely monitored on an ongoing basis. The Group reviews the recoverable amount of each individual trade receivables to ensure that adequate impairment loss is made for irrecoverable amounts.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the counter party's default history. The current portion of trade and bills receivables which are not impaired are analysed below.

	As at 31st December	
	2013	2012
	HK$000	HK$000
Trade and bills receivables		
Customers accepted within past 12 months	**15,735**	25,400
Customers accepted beyond the past 12 months	**53,413**	73,248
Total	**69,148**	98,648

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available from banks.

At 31st December, the Group had the following banking facilities with banks:

	As at 31st December	
	2013	2012
	HK$000	HK$000
Banking facilities available	**807,359**	756,870
Banking facilities utilised	**(297,655)**	(326,063)
Undrawn banking facilities	**509,704**	430,807

The table below analyses the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
Group				
At 31st December 2013				
Term loans subject to a repayment on demand clause (Note 21)	**150,052**	**–**	**–**	**–**
Bank overdraft (Note 21)	**65**	**–**	**–**	**–**
Other bank loans (Note 21)	**–**	**71,818**	**–**	**–**
Derivative financial instruments (Note 13)	**–**	**290**	**–**	**–**
Trade and bills payables (Note 20)	**–**	**103,033**	**–**	**–**
Other payables	**–**	**15,326**	**–**	**–**
	150,117	**190,467**	**–**	**–**
At 31st December 2012				
Term loans subject to a repayment on demand clause (Note 21)	150,273	–	–	–
Other bank loans (Note 21)	–	75,853	–	–
Derivative financial instruments (Note 13)	–	1,315	–	–
Trade and bills payables (Note 20)	–	135,124	–	–
Other payables	–	19,739	–	–
	150,273	232,031	–	–
Company				
At 31st December 2013				
Other payables	**–**	**192**		
At 31st December 2012				
Other payables	–	99	–	–

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk (Continued)*

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK$'000
Group	
At 31st December 2013	
Forward foreign exchange contracts-held for trading:	
Outflow	**60,530**
Inflow	**60,345**
At 31st December 2012	
Forward foreign exchange contracts-held for trading:	
Outflow	33,392
Inflow	32,335

(d) *Cash flow and fair value interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposures to changes in interest rates are mainly attributable to its borrowings.

Borrowings at variable rates exposed the Group to cash flow interest rate risk. Borrowings at fixed rates exposed the Group to fair value interest rate risk. Details of the Group's borrowings have been disclosed in Note 21.

During the year end, the borrowings of the Group at variable rates were denominated in HK$, USD, Euro ("EUR"), JPY and no borrowings were at fixed rate. The Group endeavored to maintain the borrowings on a relatively short term basis which would be refinanced when considered as appropriate. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Cash flow and fair value interest rate risk (Continued)

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration of refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss and equity of a defined interest rate shift. For each simulation, the same interest rate shift is used. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on post-tax profit for the year of a 50 basis-point shift would be a maximum increase/decrease of HK$415,000 for the year ended 31st December 2013 (2012: HK$481,000).

3.2 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 shareholders 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 adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents.

The gearing ratio at 31st December 2013 and 2012 were as follows:–

	As at 31st December	
	2013	2012
	HK$'000	HK$'000
Total borrowings (Note 21)	**221,935**	226,126
Less: Cash and cash equivalents (Note 16)	**(51,509)**	(41,590)
Net debt	**170,426**	184,536
Total equity	**340,762**	363,185
Gearing ratio	**50.0%**	50.8%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as at 31st December 2013. See Note 7 and 8 for disclosure of the property, plant and equipment and investment property that are measured at fair value.

	Level 1 HK$'000	Total HK$'000
Assets		
Financial assets at fair value through profit or loss		
– Trading derivatives	105	105
Available-for-sale financial assets		
– Equity securities	17,242	17,242
Total assets	**17,347**	**17,347**
	Level 1 HK$'000	**Total HK$'000**
Liabilities		
Financial assets at fair value through profit or loss		
– Trading derivatives	290	290
Total liabilities	**290**	**290**

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at 31st December 2012.

	Level 1 HK$'000	Total HK$'000
Assets		
Financial assets at fair value through profit or loss		
– Trading derivatives	258	258
Available-for-sale financial assets		
– Equity securities	16,522	16,522
Total assets	16,780	16,780

	Level 1 HK$'000	Total HK$'000
Liabilities		
Financial assets at fair value through profit or loss		
– Trading derivatives	1,315	1,315
Total liabilities	1,315	1,315

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets and liabilities held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily Europe equity investments classified as available-for-sale.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of the potential tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Provision for impairment of receivables

The Group records impairment of receivables based on an assessment of the recoverability of trade and other receivables. Provisions for impairment are applied to trade and other receivables, where events or changes in circumstances indicate that the balances may not be collectible. Impairment assessment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivables and impairment charges in the period in which such estimate has been changed.

(c) Write down of inventories to net realisable value

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing the net realisable value and making appropriate allowances, management identifies inventories that are moving or obsolete, considers their physical conditions, market conditions and market price for similar items.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker, represented by Board of Directors that are used to make strategic decisions.

The Board considers the business from a geographic region. Geographically, management considers the performance in the PRC, Hong Kong and other countries.

The Group is principally engaged in the trading, installation and provision of after-sales service of metalworking machinery, measuring instruments, cutting tools and electronic equipment in three main geographical areas, namely the PRC, Hong Kong and other countries (principally Singapore, Malaysia and Indonesia). The PRC, for the purpose of this consolidated financial statement, excludes Hong Kong, the Republic of China ("Taiwan") and Macau.

The Board assesses the performance of the operating segments based on a measure of segment result, total assets and total capital expenditure. The Group primarily operates in Hong Kong and the PRC. The Group's sales by geographical location are determined by the country in which the customer is located.

	For the year ended 31st December 2013			
	The PRC HK$'000	HK HK$'000	Others HK$'000	Total HK$'000
Sales	565,467	128,151	51,981	745,599
Segment results	(3,341)	(435)	(1,795)	(5,571)
Finance expense – net				(2,518)
Share of profit of associates				12,908
Profit before income tax				4,819
Income tax credit				1,674
Profit for the year				6,493

5 SEGMENT INFORMATION (CONTINUED)

	For the year ended 31st December 2012			
	The PRC HK$'000	HK HK$'000	Others HK$'000	Total HK$'000
Sales	650,684	188,152	91,794	930,630
Segment results	(8,185)	(1,845)	(227)	(10,257)
Finance expenses – net				(3,232)
Gain on disposal of a subsidiary				2,869
Share of profit of associates				6,503
Loss before income tax				(4,117)
Income tax expense				(1,150)
Loss for the year from continuing operations				(5,267)
Profit for the year from discontinued operations				20,963
Profit for the year				15,696

There is no revenue from transactions with a single external customer amounting to 10% or more of the Group's revenues.

5 SEGMENT INFORMATION (CONTINUED)

Assets

	2013 HK$'000	2012 HK$'000
Total assets:		
The PRC	**212,441**	306,387
Hong Kong	**431,822**	412,472
Other countries (Note (a))	**105,961**	108,796
	750,224	827,655

Total assets are allocated based on where the assets are located.

Segment assets consist primarily of property, plant and equipment, leasehold land, inventories, receivables, derivative financial instruments, operating cash and restricted bank deposits.

Note:

(a) Other countries include Taiwan, Singapore, Macau, Indonesia and Malaysia.

	2013 HK$'000	2012 HK$'000
Capital expenditure:		
The PRC	**3,648**	3,319
Hong Kong	**607**	2,238
	4,255	5,557

Capital expenditure is allocated based on where the assets are located.

Capital expenditure comprises mainly additions to property, plant and equipment and leasehold land.

The entity is domiciled in Bermuda. The result of its sales from external customers for the years ended 31st December 2013 and 2012 and the total of non-current assets as at 31st December 2013 and 2012 were wholly located in other countries.

6 LEASEHOLD LAND

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**9,359**	6,856

Bank borrowings are secured on leasehold land with the carrying amount of HK$2,145,000 (2012: HK$1,674,000) (Note 21).

	Group	
	2013	2012
	HK$'000	HK$'000
At 1st January	**6,856**	6,947
Addition	**2,812**	–
Exchange differences	**(77)**	132
Amortisation (Note 24)	**(232)**	(223)
At 31st December	**9,359**	6,856

7 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant, machinery furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2012					
Cost or valuation	193,065	32,802	62,827	576	289,270
Accumulated depreciation	–	(24,248)	(56,571)	(566)	(81,385)
Net book amount	193,065	8,554	6,256	10	207,885
Year ended 31st December 2012					
Opening net book amount	193,065	8,554	6,256	10	207,885
Exchange differences	(12,213)	(302)	(292)	(31)	(12,838)
Revaluation gain (Note 19)	36,498	–	–	–	36,498
Additions	–	925	4,035	597	5,557
Disposals (Note 32(a))	–	–	(78)	–	(78)
Disposal of a subsidiary (Note 32(b))	–	–	(2)	–	(2)
Depreciation (Notes 17 and 24)	(6,394)	(1,647)	(3,748)	(99)	(11,888)
Closing net book amount	210,956	7,530	6,171	477	225,134
At 31st December 2012					
Cost or valuation	210,956	32,188	60,319	1,117	304,580
Accumulated depreciation	–	(24,658)	(54,148)	(640)	(79,446)
Net book amount	210,956	7,530	6,171	477	225,134

7 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant, machinery furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31st December 2013					
Opening net book amount	210,956	7,530	6,171	477	225,134
Exchange differences	(27,840)	(416)	(60)	(72)	(28,388)
Revaluation gain (Note 19)	26,646	–	–	–	26,646
Additions	617	332	494	–	1,443
Disposals (Note 32(a))	–	–	(821)	–	(821)
Transfer to Investment Property	(34,489)	–	–	–	(34,489)
Depreciation (Note 24)	(6,561)	(1,885)	(2,527)	(119)	(11,092)
Closing net book amount	169,329	5,561	3,257	286	178,433
At 31st December 2013					
Cost or valuation	169,329	29,506	50,675	959	250,469
Accumulated depreciation	–	(23,945)	(47,418)	(673)	(72,036)
Net book amount	169,329	5,561	3,257	286	178,433

The Group's buildings located in the PRC and Singapore and land and buildings located in Hong Kong were revalued at 31st December 2013. Valuations of buildings located in the PRC and land and buildings located in Hong Kong were made on the basis of open market value by Jones Lang LaSelle Limited, a member of the Hong Kong Institute of Surveyors. The buildings of the Group located in Singapore were revalued on the basis of their open market value by Dickson Property Consultants Pte Ltd., an independent firm of professional valuers. The increase or decrease in carrying amount arising on revaluation net of applicable deferred income taxes was credited or charged to other reserves in shareholders' equity (Note 19).

Depreciation expense of HK$11,092,000 (2012: HK$11,888,000) has been charged in administrative expenses (Notes 17 and 24).

7 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Cost	**45,262**	70,662
Accumulated depreciation	**(8,988)**	(16,594)
Net book amount	**36,274**	54,068

Bank borrowings are secured on land and buildings with the carrying amount of HK$152,137,000 (2012: HK$198,354,000) (Note 21).

The analysis of cost or valuation as at 31st December 2013 of the above assets is as follows:

	Group				
	Land and buildings HK$'000	**Leasehold improve-ments HK$'000**	**Plant, machinery furniture and equipment HK$'000**	**Motor vehicles HK$'000**	**Total HK$'000**
At cost	**–**	**29,506**	**50,675**	**959**	**81,140**
At valuation	**169,329**	**–**	**–**	**–**	**169,329**
	169,329	**29,506**	**50,675**	**959**	**250,469**

7 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

The analysis of cost or valuation as at 31st December 2012 of the above assets is as follows:

	Group				
	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant, machinery furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	–	32,188	60,319	1,117	93,624
At valuation	210,956	–	–	–	210,956
	210,956	32,188	60,319	1,117	304,580

8 INVESTMENT PROPERTY

At fair value	**2013 HK$'000**	2012 HK$'000
Opening balance at 1st January	**–**	–
Transfer from owner-occupied property	**34,489**	–
Net gain from fair value adjustment	**3,211**	–
Closing balance at 31st December	**37,700**	–

(a) Amounts recognised in profit and loss for investment property

	2013 HK$'000	2012 HK$'000
Rental income	**984**	–
	984	–

An independent valuation of the Group's investment properties was performed by the valuer, Jones Lang LaSelle Limited, to determine the fair value of the investment properties as at 31st December 2013. The revaluation gain is included in `Other income gains – net' in income statement (Note 23). The following table analyses the investment property carried at fair value, by valuation method.

Bank borrowings are secured on an investment property for the carrying amount of HK$ 37,700,000 (2012: Nil).

8 INVESTMENT PROPERTY (CONTINUED)

Fair value hierarchy

Description	**Fair value measurements at 31st December 2013 using other observable inputs (Level 2)** HK$'000
Recurring fair value measurements	
Investment properties:	
– Warehouse – HK	37,700

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

9 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2013 **HK$'000**	2012 HK$'000
Non-current		
Unlisted shares, at cost	**91,645**	91,645
Current		
Amounts due from subsidiaries (Note (b))	**63,594**	71,185

9 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

(a) Investments in subsidiaries

The following is a list of the subsidiaries at 31st December 2013:

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Issued/registered and fully paid capital	Interest held
Leeport Group Limited (Note(i))	British Virgin Islands, limited liability company	Investment holding in Hong Kong	50,000 ordinary shares of US$1 each	100%[1]
Leeport Machinery (Taiwan) Co. Ltd. (Formerly known as Formtek Machinery Company Limited (Note (i)))	Taiwan, limited liability company	Trading of metal forming machines and tools in Taiwan	800,000 ordinary shares of NT$10 each	100%
Leeda Machinery Limited	Hong Kong, limited liability company	Trading of machines in Hong Kong	10,000 ordinary shares of HK$1 each	100%
Leeport Cutting Tools Corporation (Note (i))	British Virgin Islands, limited liability company	Inactive	10,000 ordinary shares of US$1 each	100%
Leeport Electronics Limited	Hong Kong, limited liability company	Trading of electronic equipment in Hong Kong	200,000 ordinary shares of HK$10 each	100%
Leeport Machine Tool Company Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1,000,000 ordinary shares of HK$10 each	100%
Leeport Macao Commercial Offshore Limited (Note (i))	Macau, limited liability company	Trading of machines, tools, accessories and measuring instruments in Macau	1 ordinary share of MOP100,000 each	100%
Leeport (Malaysia) Sdn. Bhd. (Note (i))	Malaysia, limited liability company	Distribution and repair of machine tools and accessories in Malaysia	350,000 ordinary shares of RM1 each	100%
Leeport Machine Tool (Shenzhen) Company Limited (Note (i))	PRC, limited liability company	Trading of machines, tools and measuring instruments in the PRC	Registered and fully paid capital of HK$10,000,000	100%

9 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Issued/registered and fully paid capital	Interest held
Leeport Machine Tool Trading (China) Limited (Note (i))	PRC, limited liability company	Trading of machines, tools and measuring instruments in the PRC	Registered and fully paid capital of RMB6,000,000	100%
Leeport (Singapore) Pte Ltd (Note (i))	Singapore, limited liability company	Trading of machine tools and related products in Singapore	1,000,000 ordinary shares of S$1 each	100%
Leeport Machinery (Shanghai) Company Limited (Note (i))	PRC, limited liability company	Trading of machines, tools and measuring instruments in the PRC	Registered and fully paid capital of US$1,000,000	100%
Leeport Metalforming Machinery Limited	Hong Kong, limited liability company	Trading of metalforming machines in Hong Kong	50,000 ordinary shares of HK$10 each	100%
Leeport Precision Machine Tool Company Limited	Hong Kong, limited liability company	Trading of metalcutting machines in Hong Kong	5,000,000 ordinary shares of HK$1 each	100%
Leeport Technology Limited	Hong Kong, limited liability company	Trading of rapid prototyping equipment and plastic injection machines in Hong Kong	100,000 ordinary shares of HK$10 each	100%
Leeport Tools Limited	Hong Kong, limited liability company	Trading of cutting tools in Hong Kong	10,000 ordinary shares of HK$100 each	100%
Rapman Limited	Hong Kong, limited liability company	Manufacturing of rapid prototypes	100,000 ordinary shares of HK$10 each	100%
Rapman (Dongguan) Limited (Note (i))	PRC, limited liability company	Manufacturing of rapid prototypes	Registered and fully paid capital of HK$3,500,000	100%

9 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Issued/registered and fully paid capital	Interest held
World Leader Limited	Hong Kong, limited liability company	Property holding in the PRC	1 ordinary share of HK$1 each	100%
Leeport Metrology Macao Commercial Offshore Limited (Note (i))	Macau, limited liability company	Trading of measuring instruments	1 ordinary share of MOP100,000 each	100%
Leeport International (BVI) Company Limited (Note (i))	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	50,000 ordinary shares of HK$1 each	100%
Leeport International (Hong Kong) Company Limited (Note (i))	Hong Kong, limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of HK$1 each	100%
Leeport International (Luxembourg) Company S.a r.l. (Note (i))	Luxembourg, limited liability company	Investment holding in Luxembourg	12,500 ordinary shares of EUR1 each	100%

[1] Shares held directly by the Company

Notes:

(i) PricewaterhouseCoopers Hong Kong is not the statutory auditor of these companies.

(b) Amounts due from subsidiaries

The balances are unsecured, interest-free and repayable on demand. The amounts are denominated in HK$. The balances approximated their fair values at each of the reporting date.

10 INVESTMENTS IN ASSOCIATES

Movements of investments in associates are as follows:

	2013 HK$'000	2012 HK$'000
At 1st January	62,182	–
Recognition of investment cost in Mitutoyo Leeport Metrology Corporation ("MLMC")	–	40,000
Recognition of investment cost in Prima Power Suzhou Co., Ltd	4,399	–
Investment in OPS-Ingersoll Funkenerosion GmbH ("OPS")	–	15,679
Share of profits of associates	12,908	6,503
Share of other comprehensive loss of associates	(9,402)	–
Share of dividend of an associate	(882)	–
At 31st December	69,205	62,182

Set out below are the associates of the Group as at 31st December 2013. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, except for Mitutoyo Leeport Metrology Corporation, the country of incorporation or registration is also their principal place of business.

Details of investment in associates as at 31st December 2013 and 2012 are as follows:

Name of entity	Place of business/ country of incorporation	Effective % of ownership interest 2013	Effective % of ownership interest 2012	Principal activities and place of operation
MLMC	Hong Kong/ British Virgin Islands	49	49	Trading of measuring tools
OPS	Germany	22.34	22.34	Manufacturing of metalworking machinery
Prima Power Suzhou Co., Ltd.	The PRC	19	Nil	Manufacturing of metalforming machinery

10 INVESTMENTS IN ASSOCIATES (CONTINUED)

There are no contingent liabilities relating to the Group's interest in the associates.

Summarised financial information for a material associate, MLMC

Set out below is the summarised financial information for MLMC which is significant to the Group.

Summarised balance sheet

	MLMC	
	2013	2012
	HK$'000	HK$'000
Current assets	**126,133**	125,804
Non-current assets	**1,854**	1,125
Current liabilities	**(41,176)**	(42,759)
Non-current liabilities	**(147)**	–

Summarised Income Statement

	2013	2012
	HK$'000	HK$'000
Revenue	**184,514**	188,962
Profit for the year	**20,169**	17,912
Other comprehensive income	**(15,876)**	(8,010)
Total comprehensive income	**4,293**	9,902
Dividends received from an associate	**882**	–

11 FINANCIAL INSTRUMENTS BY CATEGORY

(a) Group

	Group			
	Loans and receivables	Available-for-sale	Assets at fair value through profit & loss	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets as per consolidated balance sheet				
At 31st December 2013				
Derivative financial instruments (Note 13)	**–**	**–**	**105**	**105**
Trade receivables and bills receivables (Note 14)	**115,616**	**–**	**–**	**115,616**
Other receivables and deposits	**8,598**	**–**	**–**	**8,598**
Available-for-sale financial assets (Note 12)	**–**	**17,242**	**–**	**17,242**
Restricted bank deposits (Note 16)	**139,030**	**–**	**–**	**139,030**
Cash and cash equivalents (Note 16)	**51,509**	**–**	**–**	**51,509**
Total	**314,753**	**17,242**	**105**	**332,100**
At 31st December 2012				
Derivative financial instruments (Note 13)	–	–	258	258
Trade receivables and bills receivables (Note 14)	169,218	–	–	169,218
Other receivables and deposits	12,487	–	–	12,487
Available-for-sale financial assets (Note 12)	–	16,522	–	16,522
Restricted bank deposits (Note 16)	129,852	–	–	129,852
Cash and cash equivalents (Note 16)	41,590	–	–	41,590
Total	353,147	16,522	258	369,927

11 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

(a) (Continued)

	Group		
	Financial liabilities at amortised cost	Liabilities at fair value – through the profit & loss	Total
	HK$'000	HK$'000	HK$'000
Liabilities as per consolidated balance sheet			
At 31st December 2013			
Borrowings (Note 21)	**221,935**	**–**	**221,935**
Derivative financial instruments (Note 13)	**–**	**290**	**290**
Trade payables and bills payables (Note 20)	**103,033**	**–**	**103,033**
Other payables	**15,353**	**–**	**15,353**
Total	**340,321**	**290**	**340,611**
At 31st December 2012			
Borrowings (Note 21)	226,126	–	226,126
Derivative financial instruments (Note 13)	–	1,315	1,315
Trade payables and bills payables (Note 20)	135,124	–	135,124
Other payables	12,570	–	12,570
Total	373,820	1,315	375,135

11 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

(b)

	Company Loans and Receivables HK$'000
Assets as per balance sheet	
At 31st December 2013	
Amounts due from subsidiaries (Note 9)	**63,594**
Cash and cash equivalents (Note 16)	**6**
Total	**63,600**
At 31st December 2012	
Amounts due from subsidiaries (Note 9)	71,185
Cash and cash equivalents (Note 16)	49
Total	71,234

	Company Financial liabilities at amortised cost HK$'000
Liabilities as per balance sheet	
At 31st December 2013	
Other payables	**192**
At 31st December 2012	
Other payables	99

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2013	2012
	HK$'000	HK$'000
At beginning of the year	**16,522**	7,236
Additions	**–**	6,634
Net gain transferred to equity (Note 19)	**720**	2,652
At end of the year	**17,242**	16,522

Available-for-sale financial assets include the following:

	Group	
	2013	2012
	HK$'000	HK$'000
Listed securities:		
– Equity securities – Europe	**17,242**	16,522

Available-for-sale financial assets are denominated in EUR.

	Group	
	2013	2012
	HK$'000	HK$'000
Market value of listed securities	**17,242**	16,522

13 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2013		2012	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Forward foreign exchange contracts – non-hedge instrument	**105**	**290**	258	1,315

Derivatives holding for trading purpose are classified as a current asset or liability. As at 31st December 2013, the Group has outstanding gross-settled foreign currency forward contracts to buy EUR 626,000 for HKD6,625,000; JPY101,800,000 for USD1,008,000; RMB11,000,000 for HKD13,987,000; EUR3,000,000 for USD4,139,000 (2012: Buy EUR1,399,000 for HK$14,049,000; JPY62,750,000 for HK$5,927,000; JPY73,700,000 for USD929,000; JPY37,400,000 for RMB3,083,000; AUD259,000 for HK$2,095,000 and GBP23,000 for HK$288,000).

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the cash flow statement.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other income and gains – net' in the income statement.

The fair value of all forward foreign exchange contracts is based on their current bid prices in an active market.

14 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills receivables	**122,615**	174,961	**–**	–
Less: provision for impairment of receivables	**(6,999)**	(5,743)	**–**	–
Trade receivables and bills receivables – net	**115,616**	169,218	**–**	–
Other receivables, prepayments and deposits	**30,336**	49,012	**418**	336
	145,952	218,230	**418**	336

The carrying amounts of trade and bills receivables, other receivables and deposits approximated their fair values.

At 31st December 2013 and 2012, the ageing analysis of trade and bills receivables by due dates are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Current	**69,148**	98,648
1-3 months	**30,582**	42,869
4-6 months	**8,900**	16,940
7-12 months	**4,630**	7,198
Over 12 months	**9,355**	9,306
	122,615	174,961
Less: provision for impairment of receivables	**(6,999)**	(5,743)
	115,616	169,218

14 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

The Group generally grants credit terms of 30 days to its customers. Longer payment terms might be granted to those customers who have good payment history and long-term business relationship with the Group.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	Group	
	2013	2012
	HK$'000	HK$'000
EUR	**19,095**	16,165
HK$	**3,092**	16,589
JPY	**28,557**	45,067
USD	**4,861**	11,411
RMB	**47,942**	67,669
Other currencies	**12,069**	12,317
	115,616	169,218

As of 31st December 2013, trade receivables of HK$46,468,000 (2012: HK$70,570,000) were past due but not impaired. These relate to a number of customers with no history of credit default and they are in continuous trading with the Group. The ageing analysis of these trade receivables based on due dates are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
1-3 months	**30,582**	42,869
4-6 months	**8,900**	16,940
7-12 months	**4,630**	7,198
Over 12 months	**2,356**	3,563
	46,468	70,570

14 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

As at 31st December 2013, trade receivables of HK$6,999,000 (2012: HK$5,743,000) were impaired and were fully provided for. The individually impaired receivables mainly relate to smaller customers which were in financial difficulties. The ageing analysis of these non-recoverable receivables based on due dates are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Over 12 months	**6,999**	5,743

Movements of provision for impairment of trade receivables and bills receivables are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At beginning of the year	**5,743**	4,861
Provision for impairment of receivables	**1,384**	952
Recovery of impaired receivables	**(128)**	(70)
At end of the year	**6,999**	5,743

The creation and release of provision for impaired receivables has been included in administrative expenses in the consolidated income statement (Note 24). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying values of each class of receivable (excluding prepayments) mentioned above. The Group does not hold any collateral as security.

15 INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Merchandise	**65,761**	93,399

The provision for slow moving inventories recognised as an expense and included in cost of goods sold amounted to HK$2,077,000 (2012: HK$7,785,000) (Note 24).

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$600,925,000 (2012: HK$795,868,000) (Note 17 and Note 24).

16 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Restricted bank deposits (Note (a))	**139,030**	129,852	**–**	–
Cash at bank and in hand (Note (b))	**51,509**	41,590	**6**	49

(a) Restricted bank deposits of the Group are pledged to secure banking facilities granted to the Group. The effective interest rate on restricted bank deposits was 0.72% (2012: 1.26%) and these deposits have an average renewal period of 27 days (2012: 22 days).

(b) The bank balances of the Group amounting to HK$21,960,000 (2012: HK$17,760,000) are placed with certain banks in the PRC. The remittance of these balances is subject to the foreign exchange control restrictions imposed by the PRC government.

Cash and cash equivalents for the purposes of the consolidated cash flow statement include the following:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**51,509**	41,590	**6**	49
Bank Overdrafts	**(65)**	–	**–**	–
Cash and cash equivalents	**51,444**	41,590	**6**	49

16 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (CONTINUED)

The table below shows the bank deposits balance of the major counterparties as of 31st December 2013 and 2012.

	Group	
	2013	2012
	HK$'000	HK$'000
Cash and cash equivalents		
Cash at banks and bank deposits		
– Listed financial institutions	**50,567**	40,810
– Non-listed financial institutions	**301**	176
	50,868	40,986
Cash in hand	**641**	604
Total	**51,509**	41,590
Secured restricted bank deposits		
– Listed financial institutions	**139,030**	129,852

The carrying amounts of the Group's cash at bank and in hand are denominated in the following currencies:

	Group	
	2013	2012
	HK$'000	HK$'000
EUR	**5,110**	3,355
HK$	**4,276**	1,397
JPY	**14,669**	11,484
USD	**5,968**	6,987
RMB	**19,803**	14,754
Other currencies	**1,683**	3,613
	51,509	41,590

17 DISCONTINUED OPERATIONS – GROUP

On 28th February 2012, the Group disposed 31% equity interest of MLMC resulting in a loss of control on the subsidiary. As a result, MLMC became a 49% own associated company of the Group. The results of MLMC prior to the loss of control are presented in the consolidated financial statements as a discontinued operation.

Analysis of the result of discontinued operations

	2013 **HK$'000**	2012 HK$'000
Revenue	–	15,665
Cost of inventories sold	–	(15,344)
Depreciation of property, plant and equipment	–	(81)
Operating leases rental	–	(148)
Realised exchange loss	–	(23)
Unrealised exchange gain/(loss)	–	1,377
Other expenses – net	–	(333)
Profit before income tax of discontinued operations	–	1,113
Income tax expense	–	–
	–	1,113
Gain on disposal of discontinued operations (Note 32(c))	–	19,850
Profit for the year from discontinued operations	–	20,963
Profit for the year from discontinued operations attributable to:		
– Owners of the Company	–	20,401
– Non-controlling interests	–	562
Profit for the year from discontinued operations	–	20,963

18 SHARE CAPITAL

	2013 HK$'000	2012 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000

	Number of shares (in thousand)	Share capital HK$'000
Issued and fully paid:		
At 1st January 2013 and 31st December 2013		
221,934,062 ordinary shares of HK$0.10 each	221,934	22,193

Share options

The Company adopted a share option scheme (the "Old Scheme") at a special general meeting held on 17th June 2003. At the annual general meeting of shareholders held on 15th May 2013, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted by the Company. The New Scheme continues to recognise and acknowledge the contributions of the Eligible Participants (as defined in the New Scheme) to the Group. The New Scheme is also designed to provide incentives and help the Group in retaining its existing employees and recruiting additional employees.

Pursuant to the New Scheme, the Company can grant options to Eligible Participants for a consideration of HK$1 for each grant payable by the Eligible Participants to the Company. The total number of shares issued and to be issued upon exercise of options granted to each Eligible Participant (including exercised, cancelled and outstanding options) shall not exceed 10% of the shares in issue as at the date of such shareholder's approval. At the date of this report, the total number of options that can be granted was 22,193,406 representing approximately 10% of the number of issued shares in issue as at the approval of the New Share Option Scheme.

Subscription price in relation to each option pursuant to the New Scheme shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date on which the option is offered to an Eligible Participant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares.

18 SHARE CAPITAL (CONTINUED)

The options are exercisable within the option period as determined by the Board of the Company. The New Scheme shall be valid and effective for a period of 10 years commencing from 15th May 2013, the date of the approval of the New Scheme.

Share options are granted to directors and to selected employees. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related exercise prices are as follows:

Eligible participants	Date of grant	Exercise period	Exercise Price	At beginning of the year	Granted during the year	Lapsed during the year	At end of the year
			HK$				
Director							
LUI Sun Wing (Dr. Lui)	4th July 2011	2nd July 2012- 1st July 2013	0.96	260,000	–	(260,000)	–
	15th November 2013	15th November 2013- 14th November 2016	1.13	–	1,740,000	–	1,740,000
				260,000	1,740,000	(260,000)	1,740,000

On 15th November 2013, 1,740,000 share options have been offered and granted to a director namely Dr. Lui Sun Wing with an exercise price of HK$1.13 per share.

The Company used the Black–Scholes Valuation model to value the share options granted. The key parameters used in the model and the corresponding fair value of the options granted during 2013 is as follows:

Date of granted	15th November 2013
Number of share options granted	1,740,000
Share price at date of grant (HK$)	1.13
Exercise price (HK$)	1.13
Expected life of options	3 years
Annualised volatility	34.70%
Risk free interest rate	0.45%
Dividend payout rate	3.47%

The share-based payment recognised in the consolidated income statement for these share options granted to directors and employees for the year ended 31st December 2013 is HK$351,000 (2012: HK$34,000) (Note 25).

19 OTHER RESERVES – GROUP AND COMPANY

	Group					
	Share premium HK$'000	Land and building revaluation reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Merger reserve HK$'000	Total HK$'000
Balance at 1st January 2012	29,082	108,540	60,007	2,564	11,310	211,503
Currency translation differences	–	428	(21,233)	–	–	(20,805)
Revaluation – gross (Note 7)	–	36,498	–	–	–	36,498
Revaluation – tax (Note 22)	–	(8,300)	–	–	–	(8,300)
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(4,138)	–	–	–	(4,138)
Available-for-sale financial assets (Note 12)	–	–	–	2,652	–	2,652
Disposal of a subsidiary with loss of control (Note 32(c))	–	–	(17,821)	–	–	(17,821)
Changes in ownership interests in subsidiaries without change of control	–	–	–	(340)	–	(340)
Exercise of options	708	–	–	–	–	708
Share option scheme – value of services provided (Note 18)	–	–	–	34	–	34
Balance at 31st December 2012	29,790	133,028	20,953	4,910	11,310	199,991
Balance at 1st January 2013	**29,790**	**133,028**	**20,953**	**4,910**	**11,310**	**199,991**
Currency translation differences	**–**	**(265)**	**(40,407)**	**–**	**–**	**(40,672)**
Revaluation – gross (Note 7)	**–**	**26,646**	**–**	**–**	**–**	**26,646**
Revaluation – tax (Note 22)	**–**	**1,209**	**–**	**–**	**–**	**1,209**
Share of other comprehensive loss of associates	**–**	**–**	**(9,402)**	**–**	**–**	**(9,402)**
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	**–**	**(4,870)**	**–**	**–**	**–**	**(4,870)**
Available-for-sale financial assets (Note 12)	**–**	**–**	**–**	**720**	**–**	**720**
Share option scheme – value of services provided (Note 18)	**–**	**–**	**–**	**351**	**–**	**351**
Balance at 31st December 2013	**29,790**	**155,748**	**(28,856)**	**5,981**	**11,310**	**173,973**

19 OTHER RESERVES – GROUP AND COMPANY (CONTINUED)

	Company				
	Share premium HK$'000	Contributed Surplus HK$'000 (Note (a))	Exchange reserve HK$'000	Other reserve HK$'000	Total HK$'000
Balance at 1st January 2012	29,082	91,445	15,859	2,589	138,975
Share option scheme					
– value of services provided	–	–	–	34	34
Exercise of options	708	–	–	–	708
Currency translation difference	–	–	(7,496)	–	(7,496)
Balance at 31st December 2012	29,790	91,445	8,363	2,623	132,221
Balance at 1st January 2013	**29,790**	**91,445**	**8,363**	**2,623**	**132,221**
Share option scheme					
– value of services provided	**–**	**–**	**–**	**351**	**351**
Currency translation difference	**–**	**–**	**(12,011)**	**–**	**(12,011)**
Balance at 31st December 2013	**29,790**	**91,445**	**(3,648)**	**2,974**	**120,561**

Notes:

(a) The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the Group's reorganisation. Under the Companies Act 1981 of Bermuda, contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(b) Distributable reserves of the Company at 31st December 2013 amounted to HK$104,140,000 (2012: HK$100,126,000).

20 TRADE, BILLS PAYABLES, OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables and bills payables	**103,033**	135,124	**–**	–
Other payables, accruals and deposits received	**62,016**	76,243	**192**	99
	165,049	211,367	**192**	99

At 31st December, the ageing analysis of trade payables and bills payables are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Current	**87,991**	123,949
1-3 months	**12,365**	5,186
4-6 months	**184**	3,564
7-12 months	**611**	1,738
Over 12 months	**1,882**	687
	103,033	135,124

The carrying amounts of the trade payables and bills payables are denominated in the following currencies:

	Group	
	2013	2012
	HK$'000	HK$'000
JPY	**30,076**	58,640
EUR	**23,682**	23,539
USD	**11,057**	18,119
RMB	**28,555**	23,974
HK$	**4,634**	5,171
Others	**5,029**	5,681
	103,033	135,124

21 BORROWINGS

	Group 2013 HK$'000	Group 2012 HK$'000
Current		
Bank overdraft	**65**	–
Trust receipt loans	**71,818**	75,853
Term loans from banks due for repayment within one year	**150,052**	150,273
Total borrowings	**221,935**	226,126

As at 31st December 2013, certain land and buildings, investment property and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK$331,012,000 (2012: HK$329,880,000) were pledged to secure the banking facilities of the Group.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	Group 2013 HK$'000	Group 2012 HK$'000
Within 1 year		
– Bank loans	**150,052**	150,273
– Others	**71,883**	75,853
	221,935	226,126

21 BORROWINGS (CONTINUED)

The carrying amounts of borrowings approximate their fair value.

The effective interest rates per annum at the balance sheet date are as follows:

	2013					2012			
	SGD	**HK$**	**US$**	**EUR**	**JPY**	HK$	US$	EUR	JPY
Bank overdrafts	**5.75%**	**–**	**–**	**–**	**–**	–	–	–	–
Trust receipts loans	**–**	**–**	**2.33%**	**2.54%**	**2.12%**	–	2.40%	2.88%	2.20%
Bank loans	**–**	**1.73%**	**–**	**–**	**–**	1.88%	–	–	–

The carrying amounts of the borrowings are denominated in the following currencies:

	Group	
	2013	2012
	HK$'000	HK$'000
EUR	**10,338**	31,270
HKD	**150,052**	150,273
JPY	**49,160**	35,242
USD	**12,320**	9,341
SGD	**65**	–
	221,935	226,126

The facilities expiring within one year are annual facilities subject to review at various dates during 2014.

22 DEFERRED INCOME TAX

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Accelerated tax depreciation		
At 1st January	**25,662**	18,519
Credited to consolidated income statement (Note 27)	**(2,265)**	(1,157)
Charged directly to equity (Note 19)	**(1,209)**	8,300
At 31st December	**22,188**	25,662

The deferred income tax (credited)/charged to equity during the year is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Land and building revaluation reserves in shareholders' equity (Note 19)	**(1,209)**	8,300

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$12,898,000 (2012: HK$7,673,000) in respect of losses amounting to HK$73,774,000 (2012: HK$46,504,000) that can be carried forward against future taxable income. Loss amounting to HK$3,543,000 (2012: Nil) expires in 2018.

23 OTHER INCOME AND GAINS-NET

	Group 2013 HK$'000	2012 HK$'000
Derivative instruments – forward contracts:		
– Realised and unrealised net fair value gain/(loss)	**872**	(602)
Investment income/(loss)	**872**	(602)
Rental income	**1,056**	27
Service income	**9,461**	10,028
Commission income	**1,141**	5,130
Net gain from fair value adjustment on an investment property	**3,211**	–
Other income	**2,840**	3,227
Management fee income from an associate	**1,947**	5,097
	20,528	22,907

24 EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and distribution costs and administrative expenses are analysed as follows:

	Group 2013 HK$'000	2012 HK$'000
Auditors' remuneration	**2,426**	2,559
Cost of inventories sold	**600,925**	780,524
Depreciation on property, plant and equipment	**11,092**	11,807
Amortisation on leasehold land (Note 6)	**232**	223
Operating lease rentals	**4,361**	4,553
Provision for slow moving inventories	**2,077**	7,785
Net provision for impairment of trade and bills receivables	**1,256**	882
Foreign exchange gain (Note 28)	**(6,056)**	(10,920)
Employee benefits expenses (including directors' remuneration) (Note 25)	**81,131**	83,794
Other expenses	**74,254**	82,587
Total cost of goods sold, selling and distribution costs and administrative expenses	**771,698**	963,794

25 EMPLOYEE BENEFITS EXPENSES

	Group	
	2013	2012
	HK$'000	HK$'000
Wages and salaries, including other termination benefits HK$160,000 (2012: HK$78,000)	**71,280**	74,984
Pension costs – defined contribution plans (Note (a))	**9,500**	8,776
Share-based compensation (Note 18)	**351**	34
	81,131	83,794

(a) Pensions – defined contribution plans

The Group operates a defined contribution retirement scheme, an Occupational Retirement Scheme, for qualified employees, including executive directors of the Company, in Hong Kong prior to 1st December 2000. The cost charged to the consolidated income statement represents contributions payable or paid to the funds by the Group at the rate of 5% of the salary with a current ceiling of HK$1,250 per month for general staff and there is no ceiling for managerial staff. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Commencing on 1st December 2000, the existing employees in Hong Kong may elect to join the Mandating Provident Fund Scheme ("MPF Scheme"), and all new employees in Hong Kong are required to join the MPF Scheme. Under the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings with a current ceiling of HK$1,250 per month to the MPF Scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. The MPF contributions charged to the income statement represent the contributions payable or paid to the funds by the Group.

Contributions totalling HK$146,000 (2012: HK$143,000) were payable to the funds at the year end.

Employees in the subsidiaries operating in the PRC are required to participate in defined contribution retirement schemes operated by the local municipal governments. The retirement schemes for employees of the overseas subsidiaries follow the local statutory requirements of the respective countries. Contributions are made to the schemes based on a certain percentage of the applicable employee payroll.

There is no forfeited contributions utilised during the year (2012: HK$ Nil).

25 EMPLOYEE BENEFITS EXPENSES (CONTINUED)

(b) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31st December 2013 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits (a) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors						
Lee Sou Leung, Joseph	–	1,560	–	275	72	1,907
Chan Ching Huen, Stanley	–	1,195	–	300	15	1,510
Wong Man Shun, Michael	–	1,300	181	–	60	1,541
Lui Sun Wing (re-designated as non-executive director on 1st July 2013)	–	360	–	–	8	368
Non-executive directors						
Lui Sun Wing (re-designated on 1st July 2013)	75	–	–	–	–	75
Pike, Mark Terence	150	–	–	–	–	150
Nimmo, Walter Gilbert Mearns	150	–	–	–	–	150
Lee Tai Chiu	150	–	–	–	–	150

The remuneration of every director for the year ended 31st December 2012 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits (a) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors						
Lee Sou Leung, Joseph	–	1,511	70	191	70	1,842
Tan, Lisa Marie (resigned as director on 1st January 2013)	–	699	–	–	32	731
Chan Ching Huen, Stanley	–	1,100	70	366	14	1,550
Lui Sun Wing	–	720	–	–	14	734
Non-executive directors						
Pike, Mark Terence	150	–	–	–	–	150
Nimmo, Walter Gilbert Mearns	150	–	–	–	–	150
Lee Tai Chiu	150	–	–	–	–	150

25 EMPLOYEE BENEFITS EXPENSES (CONTINUED)

(b) Directors' and senior management's emoluments (Continued)

During the year end 31st December 2013 (2012: same), none of the directors of the Company waived their emoluments nor has agreed to waive any emoluments.

Note:

(a) Other benefits mainly comprise housing and other allowances. Apart from the emoluments paid by the Group as above, two of the buildings located in Hong Kong of the Group are provided to an executive director as his residency which formed part of his emolument.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2012: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2012: three) individuals during the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,149**	3,510
Discretionary bonuses	**452**	160
Pension costs – defined contribution plans	**79**	95
	2,680	3,765

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands		
HK$1,000,001-HK$1,500,000	**2**	3

26 FINANCE INCOME AND COSTS

	Group 2013 HK$'000	2012 HK$'000
Finance Expenses		
Interest expense on:		
– bank overdrafts, trust receipt loans and bank borrowings wholly repayable within five years	**(5,363)**	(5,341)
Finance Income		
Interest income on short-term bank deposits	**1,383**	1,026
Interest income on loan to an associate	**1,462**	1,083
	2,845	2,109
Net finance expenses – net	**(2,518)**	(3,232)

27 INCOME TAX (CREDIT)/EXPENSE

The amount of taxation (credited)/charged to the consolidated income statement represents:

	Group 2013 HK$'000	2012 HK$'000
Current income tax		
– Hong Kong profits tax	**29**	212
– PRC and overseas taxation	**617**	2,978
– Over provision in previous years	**(55)**	(883)
Deferred income tax (Note 22)	**(2,265)**	(1,157)
	(1,674)	1,150

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year.

Enterprise income tax ("EIT") in the PRC has been provided at the rate of 25% (2012: 25%) on the estimated assessable profit for the year with certain preferential provisions.

Corporate tax in Singapore has been provided at the rate of 17% (2012: 17%) on the estimated assessable profit for the year.

27 INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

Taxation on other overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the subsidiaries of the Group operate.

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to profit/(loss) of the consolidated entities are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Profit/(loss) before income tax	**4,819**	(4,117)
Tax calculated at domestic tax rates applicable to profit/(loss) in the respective countries	**2,419**	(696)
Income not subject to taxation	**(15,027)**	(7,517)
Expenses not deductible for taxation purposes	**6,126**	9,226
Tax losses for which no deferred income tax asset was recognised	**5,156**	1,669
Utilisation of previous unrecognised temporary difference	**(333)**	(528)
Over provision in previous years		
– Hong Kong profits tax	**(55)**	(883)
– Deferred income tax	**40**	(121)
Income tax (credit)/expense	**(1,674)**	1,150

28 REALISED AND UNREALISED FOREIGN EXCHANGE GAIN/LOSS

The realised exchange loss of HK$752,000 and unrealised exchange gain of HK$6,808,000 recognised in the consolidated income statement are included as administrative expenses for the year ended 31st December 2013 (2012: realised exchange loss of HK$592,000 and unrealised exchange gain of HK$11,512,000).

29 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$11,782,000 (2012: HK$7,487,000).

30 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Profit/(loss) from continuing operations attributable to owners of the Company (HK$'000)	**6,493**	(5,267)
Profit from discontinued operations attributable to owners of the Company (HK$'000)	**–**	20,401
	6,493	15,134
Weighted average number of ordinary shares in issue (in thousands)	**221,934**	221,696
Basic earnings/(loss) per share attributable to owners of the Company (HK cents per share)		
– From continuing operations	**2.93**	(2.37)
– From discontinued operations	**–**	9.20
	2.93	6.83

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the years ended 31st December 2013 and 2012, shares issuable upon exercise of the share options are the only potential dilutive ordinary shares. There was no potential dilutive effect from the share options, as the conversion of all potential ordinary shares arising from share options granted by the Company would have an anti-dilutive effect on the earnings per share for the year ended 31st December 2013 and 2012.

31 DIVIDENDS

	2013 HK$'000	2012 HK$'000
Interim, paid, of HK Nil cents (2012: HK Nil cents) per ordinary share	–	–
Final, proposed, of HK1.5 cents (2012: HK3.5 cents) per ordinary share	3,329	7,768
	3,329	7,768

32 CASH GENERATED FROM OPERATIONS

	Group	
	2013 HK$'000	2012 HK$'000
Profit before income tax including discontinued operations	4,819	16,846
Adjustments for:		
– Share-based compensation (Note 19)	351	34
– Depreciation of property, plant and equipment (Note 7)	11,092	11,888
– Amortisation on leasehold land (Note 6)	232	223
– Loss on sale of property, plant and equipment (see Note (a) below)	341	49
– Fair value (gain)/loss on derivative financial instruments (Note 23)	(872)	602
– Interest income	(2,845)	(2,109)
– Interest expense	5,363	5,341
– Unrealised exchange gain	(6,808)	(12,889)
– Provision for slow moving inventories (Note 15)	2,077	7,785
– Net impairment losses for trade receivables (Note 14)	1,256	882
– Share of post-tax profits of associates (Note 10)	(12,908)	(6,503)
– Gain on disposal of discontinued operations (Note (c))	–	(19,850)
– Gain on disposal of a subsidiary (Note (b))	–	(2,869)
Changes in working capital (excluding the effects of exchange differences on consolidation):		
– Decrease in inventories	22,015	13,023
– Decrease/(increase) in trade receivables and bills receivables, other receivables, prepayments and deposits	63,363	(20,771)
– (Decrease)/increase in trade payables and bills payables, trust receipt loans, other payables, accruals and deposits received	(39,893)	33,755
Cash generated from operations	47,583	25,437

32 CASH GENERATED FROM OPERATIONS (CONTINUED)

Note:

(a) In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Group	
	2013	2012
	HK$'000	HK$'000
Net book amount (Note 7)	**821**	78
Loss on sale of property, plant and equipment	**(341)**	(49)
Proceeds from sale of property, plant and equipment	**480**	29

(b) In the cash flow statement, proceeds from disposal of a subsidiary comprise:

	Group	
	2013	2012
	HK$'000	HK$'000
Net assets disposed:		
Property, plant and equipment	–	2
Cash and cash equivalents	–	50
Other payables	–	(21)
	–	31
Gain on disposal of a subsidiary	–	2,869
Total cash consideration	–	2,900
Net cash inflow from disposal of a subsidiary	–	2,850

32 CASH GENERATED FROM OPERATIONS (CONTINUED)

Note: (Continued)

(c) In the cash flow statement, net cash outflow from disposal of discontinued operations comprise:

	Group	
	2013	2012
	HK$'000	HK$'000
Net assets disposed:		
Property, plant and equipment	–	793
Cash and cash equivalents	–	42,885
Other assets	–	77,100
Other liabilities	–	(46,050)
Exchange reserve	–	(17,821)
Non-controlling interests	–	(15,057)
	–	41,850
Fair value of the associate as at disposal date	–	(40,000)
Gain on disposal of discontinued operations	–	19,850
Total cash consideration	–	21,700
Net cash outflow from disposal of discontinued operations	–	(21,185)

33 CONTINGENT LIABILITIES

	Group	
	2013	2012
	HK$'000	HK$'000
Letters of guarantee given to customers	**24,155**	20,381

Certain subsidiaries have given undertakings to banks that they will perform certain contractual non-financial obligations to third parties. In return, the banks have provided letters of guarantee to third parties on behalf of these subsidiaries. As at 31st December 2013, the amount of guarantees outstanding was HK$24,155,000 (2012: HK$20,381,000).

34 COMMITMENTS

(a) Commitments under operating leases

As lessee

At 31st December 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Not later than one year	**2,763**	2,865
Later than one year but not later than five years	**1,835**	1,232
	4,598	4,097

(b) Capital commitment

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Property, plant and equipment	**736**	–
Investment in an associate	**7,073**	–
	7,809	–

35 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

(a) Acquisition of additional interest in a subsidiary

On 27th February 2012, a wholly owned subsidiary of the Company acquired an additional 20% interest in Leeport Metrology Macao Commercial Offshore Limited for a purchase consideration of HK$200,000. Subsequently, it became a wholly owned subsidiary. On the date of acquisition, Leeport Metrology Macao Commercial Offshore Limited is at a net liability position of HK$698,000, and the carrying amount of the non-controlling interests was a negative of HK$140,000. The Group recognised an increase in non-controlling interests of HK$140,000 and a decrease in equity attributable to owners of the Company of HK$340,000. The effect of changes in the ownership interest of Leeport Metrology Macao Commercial Offshore Limited without change of control on the equity attributable to owners of the Company during the year are summarised as follows:

	2013 **HK$'000**	2012 HK$'000
Carrying amount of non-controlling interests acquired	**–**	(140)
Consideration paid to non-controlling interests	**–**	(200)
Excess of consideration paid recognised within equity	**–**	(340)

36 RELATED PARTY TRANSACTIONS

The Group is controlled by Peak Power Technology Limited (incorporated in the British Virgin Island), which owns 65.12% of the Company's shares. The remaining 34.88% of the shares are widely held.

Other than those as disclosed elsewhere in the consolidated financial statements, the Group has entered into the following significant transactions with a related party during the year:

		Group	
	Note	**2013** **HK$'000**	2012 HK$'000
Rental paid for a lease of an office	(a)(i)	**70**	84
Purchase of an office building	(a)(ii)	**3,429**	–
		3,499	84

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(a)(i) The Group has entered into lease agreements with a director, Mr LEE Sou Leung, Joseph ("Mr Lee") to lease office spaces in China for the year ended 31st December 2013 amounted to HK$70,000 (2012: HK$84,000).

(a)(ii) During the year, Leeport Machinery (Shanghai) Company Limited, a wholly owned subsidiary of the Group purchased an office building from Mr. Lee at a consideration of RMB2,700,000 (equivalent to approximate HK$3,429,000).

In the opinion of the directors, transactions set out in (a)(i) and (a)(ii) above have been entered into in the ordinary and usual course of business of the Group, the terms are negotiated on an arm's length basis and on normal commercial terms, and are fair and reasonable in the interests of the shareholders of the Company as a whole.

(b) Key management compensation

Key management includes directors (executive and non-executive) and members of executive committee. The compensation paid or payable to key management for employee services is shown below:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**12,111**	13,563
Pension costs – defined contribution plans	**338**	368
Share-based compensation	**351**	34
	12,800	13,965

(c) Sales of goods and services:

	2013	2012
	HK$'000	HK$'000
Sales of goods to an associate		
– MLMC	**–**	212
Sales of services to an associate		
– MLMC	**1,947**	4,270

The transactions were conducted in the normal course of business at price and terms mutually agreed between both parties.

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Year-end balance arising from sales of goods/services

	2013 **HK$'000**	2012 HK$'000
Receivables from associates		
– MLMC	**1,137**	2,567
– OPS-Ingersoll Machine Tool (Shanghai) Co. Ltd	**627**	–
	1,764	2,567

(e) Loan to an associate

The balance represents a loan made to an associate – OPS. The loan is unsecured, interest bearing at HIBOR plus 4.5% per annum and will not be repaid within the next twelve months from the reporting date.

As at 31st December 2013, the carrying value of the loan to an associate was HK$32,148,000. Based on assessment on the recoverability of the balance, management considers no impairment provision is necessary.

During the year, interest received from OPS amounted to HK$1,462,000 (2012: HK$1,083,000).

Five Year Financial Summary

The following table summarises the consolidated results, assets and liabilities of the Group for the five years ended 31st December:

	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Results					
Sales	**745,599**	946,295	1,225,509	1,075,961	758,562
Profit/(loss) before income tax	**4,819**	16,846	39,825	25,819	(36,197)
Income tax credit/(expense)	**1,674**	(1,150)	(4,815)	(1,500)	919
Profit/(loss) for the year	**6,493**	15,696	35,010	24,319	(35,278)
Profit/(loss) attributable to Equity shareholders	**6,493**	15,134	32,604	25,199	(34,348)
Non-controlling interest	**–**	562	2,406	(880)	(930)
Assets					
Property, plant and equipment	**178,433**	225,134	207,885	171,140	153,481
Leasehold land	**9,359**	6,856	6,947	7,190	7,206
Prepayment of property, plant and equipment	**1,705**	–	–	–	–
Investments in associates	**69,205**	62,182	–	–	–
Loans to an associate	**32,148**	30,805	–	–	–
Current assets	**421,674**	502,678	592,695	576,833	484,321
Investment property	**37,700**	–	–	–	–
Total assets	**750,224**	827,655	807,527	755,163	645,008
Liabilities					
Current liabilities	**387,274**	438,808	405,635	428,659	364,943
Non-current liabilities	**22,188**	25,662	18,519	15,284	12,261
Total liabilities	**409,462**	464,470	424,154	443,943	377,204
Capital and reserves attributable to owners of the Company	**340,762**	363,185	368,520	305,439	261,455