EAGLE LEGEND ASIA

EAGLE LEGEND ASIA LIMITED

鵬程亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 936)

ANNUAL REPORT 2013

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. So Chung *(Chairman)*
Miss So Man
Miss So Wai *(appointed on 23 May 2013)*

NON-EXECUTIVE DIRECTOR
Mr. Lam Woon Kun

INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms. Lo Miu Sheung Betty
Mr. Ho Gar Lok
Mr. Lam Cheung Shing, Richard *(appointed on 23 May 2013)*

COMPANY SECRETARY
Mr. Wong Ka Bong

AUTHORISED REPRESENTATIVES
Mr. So Chung
Mr. Wong Ka Bong

PRINCIPAL BANKERS
Hong Kong
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
Singapore
United Overseas Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS
Appleby Trust (Cayman) Limited
Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Investor Services Limited

Before 31 March 2014
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

With effect from 31 March 2014
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDIT COMMITTEE
Mr. Ho Gar Lok *(Chairman)*
Mr. Lam Woon Kun
Ms. Lo Miu Sheung Betty

REMUNERATION COMMITTEE
Ms. Lo Miu Sheung Betty *(Chairman)*
Miss So Man
Mr. Ho Gar Lok

NOMINATION COMMITTEE
Mr. So Chung *(Chairman)*
Ms. Lo Miu Sheung Betty
Mr. Ho Gar Lok

REGISTERED OFFICE
Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 6A, Winbase Centre
208–220 Queen's Road Central
Hong Kong

AUDITOR
BDO Limited

WEBSITE
http://www.elasialtd.com

STOCK CODE
936

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual results of Eagle Legend Asia Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013.

The global economic performance continued to improve in the year 2013 coupled with the increase in construction activities in Singapore and Hong Kong which in turn contributed to the increase in our crane trading and rental businesses in the year under review.

The Hong Kong economy improved with an increase in gross domestic product ("GDP") by 2.3% in the year 2013 and the construction market in Hong Kong continued to grow with an increase in number of private and public development projects. Notwithstanding the Singapore's GDP growth by 3.7%, compared to that of 1.3% in 2012, the expansion of construction sector GDP was slowed down to 4.7% in 2013. The slowdown was mainly due to a moderation in the growth of private sector construction activities.

In 2013, the Group recorded a total revenue of HK$291.0 million, representing an increase of 45% from that of HK$201.1 million recorded in the previous year. Profit for the year of HK$8.9 million was recorded in 2013 as compared to a loss for the year of HK$2.0 million in 2012. The increase in revenue of the Group for the year under review was mainly attributable to a higher level of sales of machinery and an increase in rental and ancillary services in both Hong Kong and Singapore.

During the year under review, our management has put its best efforts in exploring new business opportunities which will generate more income to the Group. The Group entered into a sale and purchase agreement in November 2013 to acquire the entire interest in 江西半邊天藥業有限公司 (for identification purpose, in English, Jiangxi Newomen Pharmaceutical Co., Ltd.) ("Newomen"), a manufacturer of proprietary Chinese medicines and health products in the People's Republic of China (the "PRC"). The transaction was completed on 29 November 2013.

Looking ahead, the Group will continue to strengthen and support Newomen's business operation and explore further opportunities by diversifying its product line. On the other hand, in view of the capital intensive nature of the crane business, the Group will take appropriate steps to reduce its gearing for ensuring its healthy financial position. The Group will also seek new business opportunities for diversifying its business scope and to broaden the revenue base which benefits the Company and the shareholders as a whole in the long run.

The performance of the Company is contributed by the dedicated efforts of our management and staff and the strong support from all sectors of the business community. On behalf of the board (the "Board") of directors of the Company (the "Directors"), I would like to express our sincere appreciation to all the Company's stakeholders for your support over the years and look forward to your continued support for the future.

So Chung
Chairman

Hong Kong
26 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL REVIEW

Overall performance

For the year ended 31 December 2013, the Group generated revenue of approximately HK$291.0 million (2012: approximately HK$201.1 million) with a profit for the year of approximately HK$8.9 million (2012: loss for the year of approximately HK$2.0 million).

Business Review

For the year ended 31 December 2013, the Group recorded a revenue of approximately HK$291.0 million against approximately HK$201.1 million achieved in the previous year.

The increase in the revenue for the year under review was mainly attributable to both a higher level of sales of machinery and an increase in rental and ancillary services in both Hong Kong and Singapore.

Revenue from sales of machinery of approximately HK$89.1 million was recorded for the year under review representing a growth of 88% over the amount we achieved in 2012. This was due to the sales of both new and used cranes during the process of fleet review.

Our rental business increased to approximately HK$148.1 million for the year ended 31 December 2013, representing an increase of approximately 19% higher than approximately HK$124.2 million for 2012, due to the growth in the construction sectors in both Hong Kong and Singapore during 2013. Based on our fleet strategy, we have been systematically replacing our old cranes with new cranes that better suit the market demand. A total of 20 new cranes that yield higher rental income were added in 2013. While the overall fleet utilisation rate of the Group has remained relatively stable, the major factor that contributes to the growth in the gross rental revenue was the increase in our average monthly rental rate per crane due to the introduction of new cranes.

The sales of spare parts and service income recorded revenue of approximately HK$44.6 million for the year, approximately 51% higher than that of approximately HK$29.6 million for the same period in 2012. The demand for service and spare parts increased in line with the growing demand in the Group's machinery sales and rental activities.

During the year under review, the Group acquired the entire interest in 江西半邊天藥業有限公司 (for identification purpose, in English, Jiangxi Newomen Pharmaceutical Co., Ltd.) ("Newomen"), a domestic enterprise that manufactures proprietary Chinese medicines in Jiangxi, the PRC. Newomen had sales in proprietary Chinese medicines for approximately HK$50.3 million for the year. Newomen owns a land site area of 162,173 square meters with a total gross floor area of 29,480 square meters, where its manufacturing facilities, office building, and staff dormitory are situated. It has 161 full time employees and owns 39 drug licenses issued by the China Food and Drug Administration. It manufactures a wide range of products carrying the brand name of "Newomen" (半邊天). Its product portfolio includes 阿膠益壽口服液, 複方烏雞口服液, 乳寧丸, 十二烏雞白鳳丸, etc., specialising in gynecological products. 複方烏雞口服液 and 乳寧丸 are granted patents for their formulations (獨家劑型) in the form of oral solution and pellets respectively and 乳寧丸 is a National Medical Insurance Catalogue product (國家醫保目錄品種).

One major event during the year ended 2013 was the transformation and upgrading of manufacturing practice to meet the new Good Manufacturing Practice for Pharmaceutical Products ("GMP") accreditation standard. The new GMP accreditation standard resembles that established by the European Union. Not only does it increase substantially the investment in fixed assets, but also requires a standardised approach on record keeping procedures, staff training, etc. By the end of the period, about 40% of the sterile pharmaceutical enterprises in China failed to pass the GMP license renewal under the new standard. As at the date of this report, Newomen has successfully passed the new GMP accreditation and is the first one in Ji'an, Jiangxi to obtain the certificate.

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Directors do not recommend the payment of any dividends for the year ended 31 December 2013.

Financial review

Results for the year

As detailed in the section headed "Business Review" above, the Group's overall revenue increased in the year under review as compared to last year. As a result of the increased revenue and other income, the Group recorded a mediocre profit for the year of approximately HK$8.9 million compared to loss for the year of approximately HK$2.0 million in 2012.

For the year ended 31 December 2013, the Group's other income amounted to approximately HK$13.2 million, representing an increase of 72% compared to that of 2012. The increase was attributable to the recognition of gain on disposal of an available-for-sale investment and gain on a bargain purchase on acquisition of a subsidiary during the year.

Due to the expansion of the Group's existing operating scale and acquisition of Newomen, the Group's property, plant and equipment increased to approximately HK$415.9 million, representing an increase of 14% compared to that of 2012, and the number of its employees increased to 265 in the year 2013. Accordingly, the depreciation charges and staff costs for the current year increased by approximately HK$6.2 million and HK$2.8 million respectively, as compared to the amounts for the previous year.

The Group's finance costs amounted to approximately HK$23.0 million for the year ended 31 December 2013, representing an increase of 47% compared to that of 2012. The increase was attributable to the increase in recognition of imputed interest of bonds of approximately HK$6.6 million during the year.

Liquidity and Financial Resources

The Group held cash and cash equivalents of approximately HK$149.1 million (2012: approximately HK$125.7 million). The total equity of the Group maintained stable at approximately HK$207.2 million as at 2013 financial year end (2012: approximately HK$198.0 million).

As at 31 December 2013, the Group had net current liabilities of approximately HK$44.9 million (2012: net current assets of approximately HK$71.4 million). The Directors are of the opinion that the Group has sufficient internal financial resources with its present available facilities to meet its financial obligations for the financial year ending 31 December 2014. In view of the capital intensive nature of the Group's crane business, the Group will also consider appropriate steps to reduce its gearing for ensuring its healthy financial position.

Capital Structure

As at 31 December 2013, the Company's total issued shares was 800,000,000 at HK$0.01 each (the "Shares", each, a "Share"). There was no change in the share capital of the Company during the year.

Investment Position and Planning

During the year under review, the Group spent approximately HK$69.7 million for acquisition of plant and equipment (2012: approximately HK$116.0 million).

On 29 November 2013, the Group acquired 100% equity interest in 江西半邊天藥業有限公司 (for identification purpose, in English, Jiangxi Newomen Pharmaceutical Co., Ltd.).

Save as disclosed above, the Group did not have any significant acquisition or disposal of subsidiaries and associated companies during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the resolution passed in the board of management's meeting of Manta-Vietnam Construction Equipment Leasing Limited dated 10 January 2013, the board of management resolved to liquidate the company (the "Liquidation"). As at the date of this report, the Liquidation is still in process.

On 25 January 2013, an indirect wholly-owned subsidiary of the Company entered into the sale and purchase agreement with an independent third party to dispose its 15% equity interest in 深圳能科達機械工程有限公司 (for identification purpose, in English, Shenzhen Nectar Engineering & Equipment Co., Ltd.).

Gearing

The Group monitors capital using a gearing ratio, which is total debts (sum of bonds payable, promissory notes payable, bank borrowings and finance lease payables) divided by total equity. The gearing ratio was 1.8 as at 31 December 2013 (2012: 1.5). The increase in gearing ratio is mainly resulted from the increase in finance lease payables of approximately HK$16.1 million principally for acquisition of plant and equipment for developing the Group's business and the issuance of promissory notes of approximately HK$37.9 million for acquisition of Newomen in the current year.

Pledge of Assets

The Group's banking facilities were secured by the assets of the Group, including land and building carried at fair value, buildings carried at cost and payments for leasehold land held for own use under operating leases, with aggregated carrying amounts of approximately HK$119.3 million (2012: bank deposits, land and building carried at fair value, buildings carried at cost and plant and machinery, with aggregated carrying amounts of approximately HK$78.2 million). The bonds of HK$100 million were secured by the equity interest of certain subsidiaries.

Exchange Rate Exposure

As at 31 December 2013, more than half of the revenue and part of assets and liabilities of the Group were denominated in currencies other than Hong Kong dollar. In particular, the revenue generated from our rental operations in Singapore is primarily denominated in Singapore dollar. Purchases of tower cranes, spare parts and accessories from suppliers were usually denominated in Euro or United States dollar. Revenue and purchases in our manufacturing and sales of proprietary Chinese medicines and health products in the PRC are denominated in Renminbi. For foreign currency purchases, hedging arrangements to hedge against foreign exchange fluctuations may be entered. However, no hedging arrangement was undertaken for revenue generated from our Singapore and PRC operations.

Treasury Policies

The Group generally finances its ordinary operations with internally generated resources or banking facilities. The interest rates of most of the borrowings and finance lease arrangement, if applicable, are charged by reference to prevailing market rates.

Contingent Liabilities

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities.

Commitments

The Group had capital commitments, which are contracted but not provided for, in respect of purchase of plant and machinery amounting to approximately HK$11.8 million as at 31 December 2013 (2012: approximately HK$1.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2013, the Group had a total of 265 (2012: 111) employees in Hong Kong, Singapore, Vietnam and the PRC. The Group has not had any significant problems with its employees or disruptions due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff. The Group remunerates its employees based on industry practices. Its staff benefits, welfare and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities.

FUTURE PROSPECTS

Notwithstanding the positive industry outlook in Hong Kong for the year 2014, the years ahead will be challenging for the Group.

Based on the data and forecast published by the Building and Construction Authority in Singapore, it is projected that the construction sector in Singapore will maintain a modest growth in the next few years. It is forecasted that the public sector will be awarding S$19–22 billion worth of construction contracts in 2014 largely due to demand for institutional developments and major infrastructural projects. Thereafter, the annual construction contract value will be reduced to S$14–18 billion which is similar to the 2013 level. Notwithstanding this projected stability in the public sector construction projects in future years, the private sector construction contract volume, however, is projected to contract abruptly by up to 40% from the 2013 value of S$21 billion to the range of S$12–16 billion in 2014. As quite a number of our customers own projects in the private sector development market, we expect that the 2014 demand for cranes in Singapore will be very challenging.

Our Hong Kong business should continue to sustain on a rising demand for construction work. Based on the Hong Kong Development Bureau statistics, the total gross value of construction works performed by main contractors in the first nine months of 2013 increased by 10% over the same period of 2012 with public sector the major contribution to the growth. With a solid pipeline of new construction projects still yet to be awarded in Hong Kong, the healthy outlook of the construction market in Hong Kong looks set continue.

While the overall economic factors are relatively favorable to our performance, we shall equip ourselves properly to face the industrial challenges ahead.

While one of the key growth drivers in 2013 was the sales of cranes, we expect that the pressure on sales of cranes in Singapore will rise due to the projected contraction of construction work in the private sector. In Hong Kong, we will also face challenges to convince customers to buy cranes comparing to a crane rental option due to the trend of demanding for higher capacity cranes that costs substantially higher for them to procure than to rent. On the rental revenue side, despite the continuous growth of demand for cranes is expected, the market is also flooded with new competitors from China with very competitive rental rates and up-to-date models for customers' selection.

The rising cost of doing business is also a threat to our bottom line. In both Hong Kong and Singapore, we are facing shortage of labour to perform the necessary technical and maintenance services due to general shortage of construction labour and particularly the altitude requirement of the work place. This general shortage of construction labour causes not only an inelastic labour supply pool but also the escalation of the cost of keeping the workforce.

Scarce storage space in Hong Kong is another issue we have to face with potential rent hike upon renewal.

MANAGEMENT DISCUSSION AND ANALYSIS

Though the macro-economic outlook is favourable with hidden challenges, the Group shall exercise its best effort to formulate appropriate strategy for maintaining the growth momentum in the future, including investment in properties in the PRC and/or Hong Kong.

On the other hand, the Group will continue to strengthen and support Newomen's business operation and explore further opportunities by diversifying its product line. In addition to Chinese medicines, we hope to tap into the vast market of health products (保健品) by investing in research and development. Currently we have invested in 3 health products that are under the efficacy reviewing process.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. So Chung, aged 31, was appointed as an executive Director and the chairman of the Board (the "Chairman") on 13 March 2012. Mr. So is also a chairman of the nomination committee of the Company, an authorised representative of the Company and director of certain subsidiaries of the Group. He is a director of certain companies which have direct and indirect interests in the Shares.

Mr. So was a manager and research analyst of Kingston Corporate Finance Limited and Kingston Securities Limited respectively. Both companies are the subsidiaries of Kingston Financial Group Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1031). Mr. So holds a bachelor degree in Economics from Simon Fraser University, Canada.

Mr. So, Miss So Man and Miss So Wai, both are executive Directors, are siblings. He is also a cousin of Mr. Lam Woon Kun, the non-executive Director.

Miss So Man, aged 29, was appointed as an executive Director on 13 March 2012. Miss So is also a member of the remuneration committee of the Company and director of certain subsidiaries of the Group. She is a director of certain companies which have direct and indirect interests in the Shares.

Miss So is a director of Vinson Finance Limited (a licensed money lender mainly engaged in money lending business in Hong Kong) since October 2010. She is actively involved in money lending business, project financing, human resources management and general office administration. She was also a general manager of Chinawide Securities Limited from October 2010 to February 2013, which was a licensed corporation under the Securities and Future Ordinance (the "SFO") permitted to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. Miss So graduated from the Fashion Institute of Design & Merchandising in the United States of America.

Miss So, Mr. So Chung and Miss So Wai, both are executive Directors, are siblings. She is also a cousin of Mr. Lam Woon Kun, the non-executive Director.

Miss So Wai, aged 28, was appointed as an executive Director on 23 May 2013. She is also the director of certain subsidiaries of the Group and is a director of certain companies which have direct and indirect interests in the Shares.

Miss So holds a Bachelor of Arts Degree majoring in Psychology from The University of British Columbia. She has approximately 3 years of experience in property investment and banking fields. Miss So has also been involved in equity sales since June 2011. Prior to joining the Company, she was licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO at ICBC International Holdings Limited.

Miss So, Mr. So Chung and Miss So Man, both are executive Directors, are siblings. She is also a cousin of Mr. Lam Woon Kun, the non-executive Director.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Lam Woon Kun, aged 38, was appointed as a non-executive Director on 13 March 2012. He is also a member of the audit committee of the Company.

Mr. Lam is a director of Vinson Finance Limited (a licensed money lender mainly engaged in money lending business in Hong Kong) since October 2010. He is a licensed person under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. Mr. Lam was a responsible officer of Chinawide Securities Limited and has over 9 years of experience in securities trading services. He was also involved in the business of silver and watch manufacturing and wholesale from 2004 to 2010.

Mr. Lam is a cousin of Mr. So, Miss So Man and Miss So Wai, all are executive Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Lo Miu Sheung Betty, aged 51, was appointed as an independent non-executive Director on 13 March 2012. Ms. Lo is also the chairman of the remuneration committee of the Company and member of each of the audit committee and the nomination committee of the Company.

Ms. Lo is a qualified solicitor in Hong Kong and has over 25 years of experience in general legal practice, with specialisation in conveyancing, commercial and probate laws. She has been in active practice since qualification and is currently a consultant of Messrs. K.C. Ho & Fong, Solicitors & Notaries. Ms. Lo graduated from The University of Hong Kong with a bachelor degree in Laws (LL.B.) in 1985. She also holds a Postgraduate Certificate in Laws (PCLL).

Currently, Ms. Lo is also an independent non-executive director of each of Sincere Watch (Hong Kong) Limited (Stock Code: 444) and AEON Stores (Hong Kong) Co., Limited (Stock Code: 984). She was an independent non-executive director of each of Kong Sun Holdings Limited (stock code: 295) and Wah Lee Resources Holdings Limited (now known as Kai Yuan Holdings Limited) (stock code: 1215).

Mr. Ho Gar Lok, aged 30, was appointed as an independent non-executive Director on 13 March 2012. Mr. Ho is also the chairman of the audit committee of the Company and member of each of the remuneration committee and the nomination committee of the Company.

Mr. Ho is a partner of Paul W.C. Ho & Company. He graduated from the University of Birmingham, England with a bachelor degree in Accounting and Finance. Mr. Ho is a member of the Hong Kong Institute of Certified Public Accountants. He previously worked in an international accounting firm before joining Paul W.C. Ho & Company.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam Cheung Shing, Richard, aged 55, was appointed as an independent non-executive Director on 23 May 2013.

Mr. Lam was admitted to the Master Degree of Business Administration in the Chinese University of Hong Kong in 2006. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Prior to joining the Company, Mr. Lam spent over 10 years in PricewaterhouseCoopers, an international accounting firm, and promoted to a senior audit manager, and is equipped with extensive experience in accountancy, taxation and corporate finance. He held senior positions in a number of listed companies in Hong Kong, including Sun Hung Kai & Co., Limited, Kingsway SW Asset Management Limited and U-Cyber Technology Holdings Limited.

Mr. Lam is currently the deputy chairman and chief executive officer of EverChina Int'l Holdings Company Limited (formerly known as Interchina Holdings Company Limited) (Stock Code: 202).

SENIOR MANAGEMENT

Mr. Quek Chang Yeow, aged 50, is the Chief Executive Officer. Mr. Quek joined Manta group ("Manta Group"), principal subsidiaries group of the Company, in the Singapore ("Manta Singapore") since 1999 as Operations Manager. He was promoted to the General Manager of the Manta Group in January 2003 and was subsequently appointed as the Chief Operation Officer of Manta Singapore in April 2006. In January 2010, Mr. Quek was appointed as the Chief Executive Officer of Manta Singapore and Manta group in Hong Kong ("Manta Hong Kong"). He is mainly responsible for overall business strategy, development and management of the Manta Group's operations. Mr. Quek has over 31 years of experience in the construction equipment business. Prior to joining Manta Singapore in 1999, he was a Service Manager of a construction equipment provider in Singapore.

Mr. Lo Chun Fai, aged 47, is the executive director of Manta Hong Kong and Manta Singapore. Mr. Lo joined Manta Group in January 2013 and is primarily responsible for the finance, human resources and administration functions of Manta Group's operations in Hong Kong and Singapore. He spent 7 years with PricewaterhouseCoopers Hong Kong in providing consulting services to a wide range of corporate clients investing in the PRC. Subsequent to this, Mr. Lo held various senior management positions in various industries and organizations. Prior to joining Manta Group, he was the finance director of Quality HealthCare Medical Services Limited. Mr. Lo obtained his Bachelor Degree in Economics (major in Accounting and Finance) from Monash University, Australia. He is a Fellow member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan Tai Wah Calvin, aged 33, is the Financial Controller of the Group. Mr. Chan joined the Group in July 2013 and is primarily responsible for the accounting and finance functions of the Group. He has over 10 years of experience in accounting, auditing and corporate advisory services. Prior to joining the Group, he was an audit manager of a major international accounting firm in Hong Kong. Mr. Chan obtained his Bachelor Degree in Business Administration (major in Accountancy) from City University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

Details of the segment information of the Group for the year are set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year and the state of affairs of the Group and the Company as at that date are set out in the financial statements on pages 30 to 100.

The Board does not recommend the payment of a final dividend for the year (2012: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to the existing shareholders of the Company (the "Shareholders").

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 33 to the financial statements and the consolidated statement of changes in equity on page 34.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company did not have a reserve available for distribution. Under the Companies Law, (2010 Revision) of the Cayman Islands, the share premium account of the Company of approximately HK$64 million as at 31 December 2013, is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus Shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the year, the percentage of sales attributable to the Group's five largest customers was 23.7% with the largest customer accounted for 5.6%.

The percentage of purchase attributable to the Group's five largest suppliers was 62.1% with the largest supplier accounted for 48.2%.

Neither the Directors, any of their associates nor any Shareholders (which to the best knowledge of the Directors who owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There were no significant events occurred after the reporting date.

DIRECTORS

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

Executive Directors

Mr. So Chung *(Chairman)*	
Miss So Man	
Miss So Wai	(appointed on 23 May 2013)

Non-executive Director

Mr. Lam Woon Kun

Independent non-executive Directors

Ms. Lo Miu Sheung Betty	
Mr. Chan Mo	(retired on 23 May 2013)
Mr. Ho Gar Lok	
Mr. Lam Cheung Shing, Richard	(appointed on 23 May 2013)

In accordance with article 108 (a) of the Articles, Miss So Man will retire as Director by rotation and, being eligible, offer herself for re-election as Director at the forthcoming annual general meeting of the Company (the "AGM").

In accordance with article 112 of the Articles, Miss So Wai and Mr. Lam Cheung Shing, Richard shall hold office until the forthcoming AGM and, being eligible, offer themselves for re-election as Directors at that meeting.

REPORT OF THE DIRECTORS

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual written confirmations from each of its independent non-executive Directors in respect of their independence during the year and all of them are still being considered to be independent.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years unless terminated by either party by giving not less than one month's written notice to the other party. The service agreement of Mr. So Chung and Miss So Man commenced from 13 March 2012 and the service agreement of Miss So Wai commenced from 23 May 2013.

The non-executive Director and each of the independent non-executive Directors have entered into a letter of appointment with the Company for a term of three years respectively unless terminated by either party by giving not less than one month's written notice to the other party. The letter of appointment of Mr. Lam Woon Kun, Ms. Lo Miu Sheung Betty and Mr. Ho Gar Lok commenced from 13 March 2012 and the letter of appointment of Mr. Lam Cheung Shing, Richard commenced from 23 May 2013.

Each of the Directors is subject to the provisions for retirement by rotation and re-election at the AGM in accordance with the Articles.

Save as disclosed above, no Director proposed for re-election at the forthcoming AGM has service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during or at the end of the year.

CONTRACT OF SIGNIFICANCE

During the year, the Group did not enter into any contract of significance with its controlling Shareholders or any of its subsidiaries.

During the year, no contract of significance for the provision of services to the Group by a controlling Shareholder or any of its subsidiaries was made.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or in existence during the year.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

During the year, there was no transaction which should be disclosed in this report as a connected transaction in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DISCLOSURE OF INFORMATION ON DIRECTOR PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

During the year, the updated information on Director discloseable under rule 13.51B(1) of the Listing Rules was as follows:

— Ms. Lo Miu Sheung Betty, the independent non-executive Director, was appointed as an independent non-executive director of AEON Stores (Hong Kong) Co., Limited (Stock Code: 984) with effect from 8 November 2013.

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

As at 31 December 2013, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

Interests in the Shares

A. Long positions in ordinary Shares and underlying Shares

	Number of Shares				Percentage of issued share capital of the Company
Name of Director	Personal interest	Corporate interest	Equity derivatives	Total	*(Note 2)*
Mr. So Chung ("Mr. So")	–	600,000,000 *(Note 1)*	–	600,000,000	75%

Notes:

1. These Shares were registered in the name of Eagle Legend International Holdings Limited ("Eagle Legend International"), which is a wholly-owned subsidiary of Constant Success Holdings Limited ("Constant Success"). Constant Success was held as to 43% by Mr. So through his 100% equity interest in Wonder Ocean International Holdings Limited ("Wonder Ocean"), 28.5% by Miss So Man through her 100% equity interest in Jiefei Limited ("Jiefei") and 28.5% by Miss So Wai through her 100% equity interest in Fei Teng Holdings Limited ("Fei Teng").

2. The percentage is calculated on the basis of 800,000,000 Shares in issue as at 31 December 2013.

REPORT OF THE DIRECTORS

B. Long positions in the shares of associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of shares held	Percentage of issued share capital of the associated corporation
Mr. So	Eagle Legend International *(Note)*	Interest of controlled corporation	1	100%
Miss So Man	Eagle Legend International *(Note)*	Interest of controlled corporation	1	100%
Miss So Wai	Eagle Legend International *(Note)*	Interest of controlled corporation	1	100%

Note: Eagle Legend International is a wholly-owned subsidiary of Constant Success which was held as to 43% by Mr. So through his 100% equity interest in Wonder Ocean, 28.5% by Miss So Man through her 100% equity interest in Jiefei and 28.5% by Miss So Wai through her 100% equity interest in Fei Teng.

Save as disclosed above, as at 31 December 2013, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

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

As at 31 December 2013, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations (other than the Directors and the chief executives of the Company) in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of substantial Shareholder	Number of Shares		Equity derivatives	Total	Percentage of issued share capital of the Company *(Note 3)*
	Beneficial interest	Corporate interest			
Eagle Legend International	600,000,000	–	–	600,000,000	75%
Constant Success	–	600,000,000 *(Note 1)*	–	600,000,000	75%
Wonder Ocean	–	600,000,000 *(Note 2)*	–	600,000,000	75%

Notes:

1. Constant Success is held as to 43% by Mr. So through his 100% equity interest in Wonder Ocean, 28.5% by Miss So Man through her 100% equity interest in Jiefei and 28.5% by Miss So Wai through her 100% equity interest in Fei Teng.

2. Wonder Ocean is wholly-owned by Mr. So.

3. The percentage is calculated on the basis of 800,000,000 Shares in issue as at 31 December 2013.

Save as disclosed above, as at 31 December 2013, there were no other persons or corporations who had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section "INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATION" above, at no time during the year was the Company or any of its holding companies, subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

On 25 June 2010, the Company adopted a share option scheme (the "Share Option Scheme") which complied with the requirements of Chapter 17 of the Listing Rules.

The purpose of the Share Option Scheme is to provide incentive and/or reward to eligible participants for their contribution to, and continuing efforts to promote the interest of, the Group. Under the Share Option Scheme, the eligible participants of the scheme, including Directors, full-time employees of and advisers and consultants to the Group may be granted options which entitle them to subscribe for Shares. The Scheme will expire on 24 June 2020.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue on the listing date (i.e. 19 July 2010), unless the Company obtains the approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options previously granted (including those outstanding, cancelled and lapsed) in accordance with the terms of the Share Option Scheme or exercised options or any other share option schemes of the Company will not be counted for the purpose of calculating such 10% limit. The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

No Option shall be granted to any eligible participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue.

Options granted must be taken up within 21 days after the date of grant, upon payment of HK$1 per grant. An option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time before the expiry of the period to be determined and notified by the Board which shall not be later than 10 years commencing on the date of grant and expiring on the last day of such ten-year period subject to the provisions for early termination as contained in the Share Option Scheme and provided that the Board may determine the minimum period for which the option has to be held or other restrictions before the exercise of the subscription right attaching thereto.

The exercise price shall be determined by the Board, and shall be at least the highest of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant, and the nominal value of a Share.

No options have been granted since the date of the adoption of the Share Option Scheme.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, no Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report as required under the Listing Rules.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Audit Committee of the Company was established on 25 June 2010 with written terms of reference in order to comply with the relevant code provisions of Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code").

Further details of the Audit Committee are set out in the Corporate Governance Report included in this report.

CORPORATE GOVERNANCE

Full details on the Company's corporate governance practices are set out in pages 20 to 27 in this report.

AUDITOR

A resolution will be proposed at the forthcoming AGM to re-appoint BDO Limited as auditor of the Company.

ON BEHALF OF THE BOARD

So Chung
Chairman

Hong Kong, 26 March 2014

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company believes that good corporate governance will not only improve management accountability and investor confidence, but will also lay a good foundation for the long-term development of the Company. Therefore, the Company will strive to develop and implement effective corporate governance practices and procedures.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all the code provisions of the CG Code throughout the year.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct for securities transactions by the Directors during the year. Having made specific enquiries, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year.

THE BOARD OF DIRECTORS

The Board

The Board takes full responsibility of supervising and overseeing all major matters of the Company, including any acquisitions or disposal of businesses, investments, formulating and approving of overall management and operation strategies, reviewing the internal control and risk management systems, reviewing financial performance, considering dividend policies and monitoring the performance of the senior management, while the management is responsible for the daily management and operations of the Group.

Chairman and Chief Executive

Mr. So Chung has been serving as the Chairman since March 2012, while Mr. Quek Chang Yeow has been serving as the Chief Executive Officer since January 2010 although he resigned as Director in April 2012. The roles of the Chairman and the Chief Executive Officer are distinct and separate.

The Chairman provides leadership for the Board and ensures views on all principal and appropriate issues are exchanged by all the Directors (including the non-executive Directors) in a timely manner, by encouraging them to make a full and effective contribution to the discussion.

The Chief Executive Officer is responsible to the Board for managing the business of the Company.

Board Composition

Currently, the Board comprises seven members with a suitable breadth of background and professional experience from the financial, legal, accounting and commercial sections.

CORPORATE GOVERNANCE REPORT

The Directors who served the Board during the year and up to the date of this report are named as follows:

Executive Directors
Mr. So Chung *(Chairman)*
Miss So Man
Miss So Wai (appointed on 23 May 2013)

Non-executive Director
Mr. Lam Woon Kun

Independent non-executive Directors
Ms. Lo Miu Sheung Betty
Mr. Chan Mo (retired on 23 May 2013)
Mr. Ho Gar Lok
Mr. Lam Cheung Shing, Richard (appointed on 23 May 2013)

Mr. So Chung, Miss So Man and Miss So Wai are siblings, and Mr. Lam Woon Kun is their cousin. Apart from that, there is no other relationship, including financial, business, family or other material/relevant relationships among the Board members.

The brief biographical details of the Directors are set out in the "Board of Directors and Senior Management" in pages 9 to 11 of this report. The updated list of Directors and their role and function were published on the websites of the Stock Exchange and the Company.

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

Appointments, re-election and removal

All Executive Directors with service contracts and all Non-executive Directors (including the independent non-executive Directors) with letters of appointment usually serve three-year terms and subject to re-election pursuant to the Articles.

In accordance with article 108(a) of the Articles, at each AGM one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. A retiring Director shall be eligible for re-election. Miss So Man will retire by rotation and, being eligible, offer herself for re-election at the forthcoming AGM.

In accordance with article 112 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy and as an additional Director shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Miss So Wai and Mr. Lam Cheung Shing, Richard shall hold office only until the forthcoming AGM and, being eligible, offer themselves for re-election at that meeting.

Continuous Professional Development

To assist the Directors in continuing their professional development, the Board recommends them to attend the relevant seminars and courses.

CORPORATE GOVERNANCE REPORT

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the rule A.6.5 of the CG Code on continuous professional development during the year:

Directors	Attending in-house briefings	Attending relevant business training conducted by professional parties	Reading materials relevant to director's duties and responsibilities
Executive Directors			
Mr. So Chung	–	✔	✔
Miss So Man	–	✔	✔
Miss So Wai*	–	✔	✔
Non-executive Director			
Mr. Lam Woon Kun	–	✔	✔
Independent non-executive Directors			
Ms. Lo Miu Sheung Betty	✔	–	✔
Mr. Ho Gar Lok	–	–	✔
Mr. Lam Cheung Shing, Richard*	–	✔	–

Note:

* Appointed on 23 May 2013

NON-EXECUTIVE DIRECTORS

The non-executive Director and each of the independent non-executive Directors entered into a letter of appointment with the Company for a term of three years which can be terminated by either party by giving not less than one month's written notice to the other party. The letter of appointment of Mr. Lam Woon Kun, Ms. Lo Miu Sheung Betty and Mr. Ho Gar Lok commenced from 13 March 2012 and the letter of appointment of Mr. Lam Cheung Shing, Richard commenced from 23 May 2013.

Each of the independent non-executive Directors has confirmed by written confirmation that he or she has complied with the independence requirements set out in rule 3.13 of the Listing Rules. The Board considers that all independent non-executive Directors are independent under these independence requirements.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established the following Board committees to oversee the particular aspects of the Group's affairs:

Remuneration Committee

The Company established the Remuneration Committee in compliance with CG Code with terms of reference. Currently, the Remuneration Committee is chaired by Ms. Lo Miu Sheung Betty, the independent non-executive Director, and other members are Miss So Man, the executive Director, and Mr. Ho Gar Lok, the independent non-executive Director.

The Remuneration Committee is responsible for, including but not limited to, making recommendations to the Board on the Company's policy and structuring for all remuneration of Directors and senior management and establishing the formal and transparent procedures for developing such remuneration policy. In determining the specific remuneration packages of the Directors and senior management, the Remuneration Committee would consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and employment conditions elsewhere in the Group. Full terms of reference are available on the websites of the Stock Exchange and the Company. Details of directors' remuneration for each Director were set out in note 15 to the financial statements.

Nomination Committee

The Company established the Nomination Committee in compliance with CG Code with terms of reference. The terms of reference have been reviewed and revised with reference to the changes to the CG Code during the year which was published on the websites of the Stock Exchange and the Company. Currently, the Nomination Committee is chaired by Mr. So Chung, the executive Director and the Chairman and other members are Ms. Lo Miu Sheung Betty and Mr. Ho Kar Lok, both are independent non-executive Directors.

The Nomination Committee is responsible for, including but not limited to, reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) required of the Board annually, evaluating the balance of skills, knowledge, experience and diversity of perspective on the Board and making recommendations to the Board on matters relating to the appointment or re-appointment of Directors and assessing the independence of the independent non-executive Directors. Full terms of reference are available on the websites of the Stock Exchange and the Company.

On 26 March 2014, the Nomination Committee recommended the retirement by rotation and re-election of Miss So Man at the forthcoming AGM.

Board Diversity Policy

The Board has adopted a board diversity policy (the "Policy") and measurable objectives which are set for the purpose of implementing the Policy with effect from 30 August 2013.

Summary of the Policy

The Company recognised and embraced the benefits of having a diverse Board to the quality of its performance. The Policy aimed to sets out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a numbers of aspects including skills, experience, knowledge, expertise, culture, independence, age and gender. All Board appointments will be base on merit while taking into account diversity (including gender diversity).

Measurable Objectives

The measurable objectives for the purpose of implementation of the Policy including the dependence, educational background, professional qualifications and years of experience in the industry he/she is specialised in.

The Nomination Committee will review the Policy to ensure its effectiveness and report annually, in the corporate governance report, on the Board's composition under diversified perspectives, and monitor the implementation on this Policy.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee was established on 25 June 2010 with written terms of reference. Currently, the Audit Committee comprises Mr. Lam Woon Kun, the non-executive Director, Ms. Lo Miu Sheung Betty and Mr. Ho Gar Lok (chairman of the Audit Committee), both are independent non-executive Directors.

The Audit Committee is primarily responsible for overseeing all financial reporting procedures and the effectiveness of the Company's internal controls and then reports the findings, decisions and recommendations to the Board; making recommendation to the Board on the appointment, re-appointment and removal of external auditor and approving the remuneration and terms of engagement of the external auditor and any questions of resignation or dismissal of that auditor; and reviewing and monitoring the independence and objectivity of external auditor and the effectiveness of the audit process in accordance with applicable standard.

The Audit Committee has reviewed with the management of the Company the annual results for the year ended 31 December 2013 including the accounting principles and practices adopted by the Group and the internal control and financial reporting matters.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

During the year ended 31 December 2013, the Board held 14 Board meetings.

The attendance record of each Director at the Board meetings, the committees meetings and the general meetings of the Company held during the year is set out below:

Directors	Board Meeting Attended/ Eligible to attend	Nomination Committee Attended/ Eligible to attend	Remuneration Committee Attended/ Eligible to attend	Audit Committee Attended/ Eligible to attend	2013 Annual General Meeting Attended/ Eligible to attend
Executive Directors					
Mr. So Chung	14/14	3/3	–	–	1/1
Miss So Man	14/14	–	2/2	–	1/1
Miss So Wai*	8/8	–	–	–	–
Non-executive Director					
Mr. Lam Woon Kun	14/14	–	–	2/2	1/1
Independent non-executive Directors					
Ms. Lo Miu Sheung Betty	9/14	3/3	2/2	2/2	1/1
Mr. Chan Mo#	1/5	–	–	–	–
Mr. Ho Gar Lok	9/14	3/3	2/2	2/2	1/1
Mr. Lam Cheung Shing, Richard*	3/8	–	–	–	–

Notes:

* Appointed on 23 May 2013
# Retired on 23 May 2013

AUDITOR'S REMUNERATION

For the year ended 31 December 2013, the total fee paid/payable to the external auditor of the Company in respect of audit and non-audit services is set as below:

	For the year ended 31 December 2013 HK$'000
Audit services	680
Non-audit services	Nil

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITOR'S RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2013, and confirm that the financial statements give a true and fair view of the results of the Company and the Group for the year then ended, and are prepared in accordance with the applicable statutory requirements and accounting standards. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements. The statement of the external auditor of the Company, BDO Limited, about their responsibilities on the financial statements of the Group is set out in the independent auditor's report on pages 28 to 29.

COMPANY SECRETARY

Mr. Wong Ka Bong ("Mr. Wong") has been appointed as the Company Secretary since 18 May 2012. All Directors have access to the advice and services of Mr. Wong, who is responsible for ensuring that the correct Board procedures are followed and advises the Board on all corporate governance matters. During the year, Mr. Wong confirmed that he undertook over 15 hours of professional training to update his skills and knowledge.

The primary corporate contact person of the Company is Mr. So Chung, the executive Director and the Chairman.

INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interests of the Shareholders. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the Shareholders and the assets of the Company.

During the year, the Board has conducted reviews of the internal control system of the Company and considered the internal control system of the Company has implemented effectively. Such review covered financial, compliance and operational controls as well as risk management mechanisms.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code but about promoting and developing an ethical and healthy corporate culture. The Company will continue to review and, where appropriate, improve the current practices on the basis of the experience, regulatory changes and developments. Any views and suggestions from the Shareholders to promote and improve the transparency are also welcome.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining a clear, timely and effective communication with the Shareholders and investors. The Board also recognises that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.elasialtd.com. The Directors and members of various Board committees will attend the AGM of the Company and answer any questions raised. The chairman of general meetings of the Company would explain the procedures for conducting a poll before proposing a resolution for voting. The poll results will be published on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS

Convening an extraordinary general meeting by the Shareholders

Pursuant to the article 64 of the Articles, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Making enquiry to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to infoela@elasialtd.com.

Procedures for the Shareholders to put their enquiries to the Board

The Shareholders are also encouraged to attend the AGM and the EGM and to put their enquiries to the Board directly. Notices are duly circulated to the Shareholders in order to ensure each Shareholder is informed to attend the AGM and the EGM. The Chairman, the chairman of each of the remuneration committee, nomination committee and audit committee and the senior management attend the aforesaid meetings and respond to the Shareholders' enquiries in a promptly manner. Pursuant to the Listing Rules, voting by poll is mandatory at all general meetings.

The detailed procedures for conducting a poll are set out in the proxy forms and will be explained by the chairmen of the AGM and the EGM orally in the beginning of the aforesaid meetings. The poll results will be posted on the websites of the Stock Exchange and the Company after the AGM and the EGM.

Investors Communication Policy

To promote effective communication, the Company maintains a website at http://www.elasialtd.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number	:	(852) 2922-9722
By post	:	Unit 6A, Winbase Centre, 208-220 Queen's Road Central, Hong Kong
Attention	:	The Board of Directors
By email	:	infoela@elasialtd.com

During the year, the Company has not made any changes to its memorandum and articles of association, which is available on the websites of the Stock Exchange and the Company.

INDEPENDENT AUDITOR'S REPORT

BDO

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TO THE SHAREHOLDERS OF EAGLE LEGEND ASIA LIMITED 鵬程亞洲有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Eagle Legend Asia Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 30 to 100, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

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

BDO Limited
Certified Public Accountants
Joanne Y.M. Hung
Practising Certificate no. P05419

Hong Kong, 26 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	8	**290,972**	201,104
Cost of sales and services		**(155,717)**	(95,572)
Gross profit		**135,255**	105,532
Other income	9	**13,186**	7,646
Selling and distribution expenses		**(4,687)**	(4,833)
Administrative expenses		**(63,458)**	(53,449)
Operating expenses		**(45,813)**	(39,767)
Finance costs	10	**(22,987)**	(15,687)
Profit/(loss) before income tax	11	**11,496**	(558)
Income tax expense	12	**(2,559)**	(1,399)
Profit/(loss) for the year		**8,937**	(1,957)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of properties held for own use, net of tax		**1,226**	1,444
Items that may be reclassified subsequently to profit or loss:			
Loss on revaluation of available-for-sale investments		**(91)**	–
Exchange differences on translating foreign operations		**(930)**	4,813
Other comprehensive income for the year		**205**	6,257
Total comprehensive income for the year		**9,142**	4,300
Profit/(loss) for the year attributable to:			
— Owners of the Company		**9,254**	(1,677)
— Non-controlling interests		**(317)**	(280)
		8,937	(1,957)
Total comprehensive income attributable to:			
— Owners of the Company		**9,459**	4,580
— Non-controlling interests		**(317)**	(280)
		9,142	4,300
Earnings/(loss) per share			
— Basic and diluted (HK cents)	14	**1.2**	(0.2)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Notes	**2013 HK$'000**	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*16*	**415,877**	365,113
Payments for leasehold land held for own use under operating leases	*17*	**24,268**	–
Available-for-sale investments	*18*	**2,846**	–
		442,991	365,113
Current assets			
Inventories and consumables	*20*	**43,859**	27,887
Trade receivables	*21*	**83,009**	48,817
Prepayments, deposits and other receivables	*22*	**54,154**	12,808
Financial assets at fair value through profit or loss	*23*	**1,038**	–
Pledged bank deposits	*24*	**–**	3,514
Cash and cash equivalents	*24*	**149,100**	125,699
		331,160	218,725
Non-current asset held for sale			
Available-for-sale investment	*18*	**–**	580
		331,160	219,305
Current liabilities			
Trade and bill payables	*25*	**66,387**	48,619
Receipt in advance, accruals and other payables	*26*	**69,516**	41,187
Amount due to immediate holding company	*27*	**–**	5
Bank borrowings	*28*	**52,285**	16,965
Bonds payable	*29*	**100,000**	–
Promissory notes payable	*34*	**37,920**	–
Finance lease payables	*30*	**49,875**	40,685
Provision for tax		**91**	419
		376,074	147,880
Net current (liabilities)/assets		**(44,914)**	71,425
Total assets less current liabilities		**398,077**	436,538

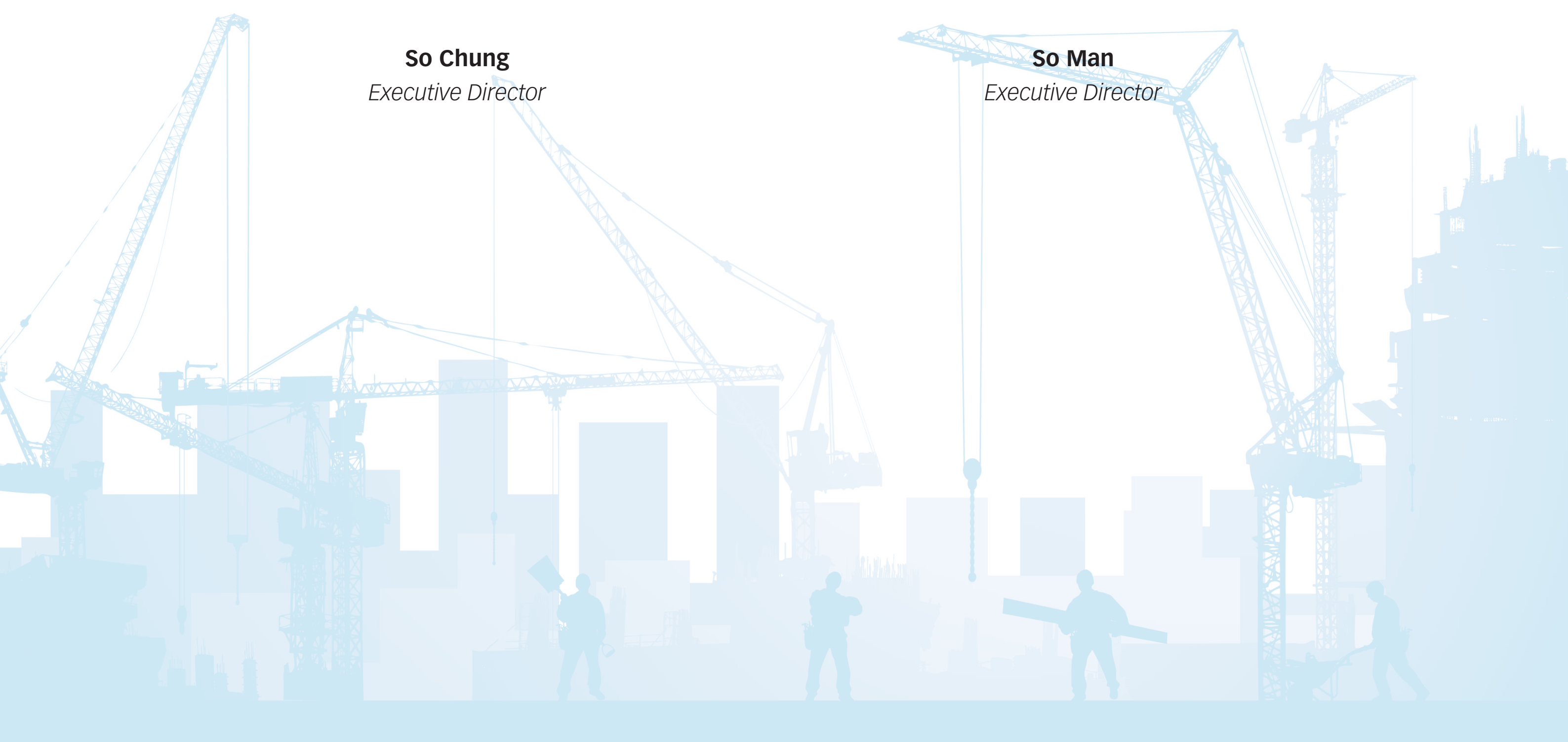
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Bank borrowings	*28*	**24,356**	27,822
Bonds payable	*29*	**–**	100,000
Finance lease payables	*30*	**110,224**	103,335
Other payables	*26*	**35,351**	–
Deferred tax liabilities	*31*	**20,974**	7,351
		190,905	238,508
Net assets		**207,172**	198,030
EQUITY			
Share capital	*32*	**8,000**	8,000
Reserves	*33*	**198,482**	189,023
Equity attributable to the Company's owners		**206,482**	197,023
Non-controlling interests		**690**	1,007
Total equity		**207,172**	198,030

So Chung
Executive Director

So Man
Executive Director



STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**7**	–
Investments in subsidiaries	19	**–**	–
		7	–
Current assets			
Amounts due from subsidiaries	19	**21,046**	14
Prepayments		**311**	431
Cash and cash equivalents	24	**70,849**	96,581
		92,206	97,026
Current liabilities			
Accruals		**881**	130
Amount due to immediate holding company	27	**–**	4
Amounts due to subsidiaries	19	**–**	173
		881	307
Net current assets		**91,325**	96,719
Total assets less current liabilities and net assets		**91,332**	96,719
EQUITY			
Share capital	32	**8,000**	8,000
Reserves	33	**83,332**	88,719
Total equity		**91,332**	96,719

So Chung
Executive Director

So Man
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

	Share capital HK$'000	Share premium* HK$'000	Merger reserve* HK$'000	Investment revaluation reserve* HK$'000	Property revaluation reserves* HK$'000	Translation losses* HK$'000	Accumulated losses* HK$'000	Equity attributable to the owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2012	2,000	69,968	120,985	–	5,036	9,994	(15,540)	192,443	1,287	193,730
Loss for the year	–	–	–	–	–	–	(1,677)	(1,677)	(280)	(1,957)
Other comprehensive income	–	–	–	–	1,444	4,813	–	6,257	–	6,257
Total comprehensive income for the year	–	–	–	–	1,444	4,813	(1,677)	4,580	(280)	4,300
Bonus issue	6,000	(6,000)	–	–	–	–	–	–	–	–
Depreciation transfer on property held for own use carried at fair value, net of tax	–	–	–	–	(140)	–	140	–	–	–
Balance at 31 December 2012 and 1 January 2013	**8,000**	**63,968**	**120,985**	**–**	**6,340**	**14,807**	**(17,077)**	**197,023**	**1,007**	**198,030**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**9,254**	**9,254**	**(317)**	**8,937**
Other comprehensive income	**–**	**–**	**–**	**(91)**	**1,226**	**(930)**	**–**	**205**	**–**	**205**
Total comprehensive income for the year	**–**	**–**	**–**	**(91)**	**1,226**	**(930)**	**9,254**	**9,459**	**(317)**	**9,142**
Depreciation transfer on property held for own use carried at fair value, net of tax	**–**	**–**	**–**	**–**	**(181)**	**–**	**181**	**–**	**–**	**–**
Balance at 31 December 2013	**8,000**	**63,968**	**120,985**	**(91)**	**7,385**	**13,877**	**(7,642)**	**206,482**	**690**	**207,172**

* At 31 December 2013, the reserves accounts comprise the consolidated reserves of HK$198,482,000 (2012: HK$189,023,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Profit/(loss) before income tax		**11,496**	(558)
Adjustments for:			
Bank interest income	*9*	**(1,043)**	(708)
Dividend income	*9*	**(69)**	(177)
Loss/(gain) on disposal of property, plant and equipment		**375**	(158)
Gain on disposal of an available-for-sale investment	*9*	**(1,272)**	–
Impairment loss on trade receivables, net		**734**	2,023
Impairment loss on other receivables		**921**	–
Allowance for impairment of inventories		**562**	–
Depreciation of property, plant and equipment	*16*	**45,939**	39,767
Amortisation of the payments for leasehold land held for own use under operating leases	*17*	**52**	–
Fair value gain on financial assets at fair value through profit or loss	*23*	**(43)**	–
Gain on a bargain purchase on acquisition of a subsidiary	*34*	**(7,597)**	–
Interest expenses	*10*	**22,987**	15,687
Operating profit before working capital changes		**73,042**	55,876
Purchase of financial assets at fair value through profit or loss		**(995)**	–
Decrease in inventories and consumables		**10,570**	22,082
Increase in trade receivables		**(18,453)**	(5,334)
Decrease/(increase) in prepayments, deposits and other receivables		**13,685**	(2,496)
(Decrease)/increase in amount due to immediate holding company		**(5)**	5
(Decrease)/increase in trade and bill payables		**(5,226)**	11,325
Increase in receipt in advance, accruals and other payables		**6,081**	11,098
Cash generated from operations		**78,699**	92,556
Interest paid		**(9,485)**	(15,687)
Income tax paid		**(611)**	–
Net cash from operating activities		**68,603**	76,869

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	*34*	**7,735**	–
Interest received		**1,043**	708
Dividend received		**69**	177
Purchase of property, plant and equipment	*39*	**(14,916)**	(34,877)
Purchase of available-for-sale investments		**(2,937)**	–
Proceeds from sale of an available-for-sale investment		**1,852**	–
Increase in bank deposits maturing over three months		**(3,515)**	–
Decrease in pledged bank deposits		**3,514**	5
Proceeds from disposal of property, plant and equipment		**2,293**	603
Net cash used in investing activities		**(4,862)**	(33,384)
Cash flows from financing activities			
Repayment of obligations under finance leases		**(29,747)**	(35,155)
Proceeds from issue of bonds		**–**	100,000
Proceeds from new borrowings		**–**	10,239
Repayment of borrowings		**(14,834)**	(10,295)
Net cash (used in)/from financing activities		**(44,581)**	64,789
Net increase in cash and cash equivalents		**19,160**	108,274
Cash and cash equivalents at the beginning of year		**125,699**	25,156
Effect of exchange rates changes on cash and cash equivalents		**726**	(7,731)
Cash and cash equivalents at the end of year	*24*	**145,585**	125,699

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Eagle Legend Asia Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands. The address of its registered office is located at Clifton House, 75 Fort Street, P.O .Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in Hong Kong is located at Unit 6A, Winbase Centre, 208–220 Queen's Road Central, Hong Kong. The Company and its subsidiaries (collectively known as the "Group") is principally engaged in trading of construction machinery and spare parts, leasing of the construction machinery, providing repair and maintenance services in respect of the construction machinery and manufacturing and sales of proprietary Chinese medicines and health products. The principal activities of the subsidiaries are described in Note 19.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 19 July 2010. The immediate holding company of the Company is Eagle Legend International Holdings Limited ("Eagle Legend") which is incorporated in the British Virgin Islands (the "BVI") and the directors of the Company (the "Directors") consider the ultimate holding company of the Company is Constant Success Holdings Limited, a private limited company, which is incorporated in the BVI.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements on page 30 to 100 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of measurement and going concern assumption

The financial statements have been prepared under the historical cost basis except for land and building carried at fair value, available-for-sale investments and financial assets at fair value through profit or loss, which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements have been prepared on a going concern basis despite the Group had net current liabilities of approximately HK$44,914,000 as at 31 December 2013.

The Directors are confident that the Group will be able to meet its financial obligations as they fall due for twelve months from 31 December 2013, on the basis that (a) a credit facility obtained from an independent third party of which the independent third party would subscribe a two-year promissory note of HK$55,000,000 unconditionally to be issued by the Group upon the Group's demand; (b) the Group's future operations can generate sufficient cash flows; and (c) the Group's other present available facilities. The Directors are of the opinion that, in the absence of unforeseen circumstances, the Group will have sufficient financial resources to finance its working capital requirements for the next twelve months from the reporting date and it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2013 on a going concern basis notwithstanding the net current liabilities position of the Group.

If the going concern basis is not appropriate, adjustments would have to be made to reduce the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong Dollars ("HK$"), which is the same as the functional currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS

3. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2013 were approved and authorised for issue by the board of directors on 26 March 2014.

4. ADOPTION OF HKFRSs

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

The Hong Kong Institute of Certified Public Accountants has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

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

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued and have been early adopted

Amendments to HKAS 36 — Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current period.

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

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2010–2012 Cycle[3]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

NOTES TO THE FINANCIAL STATEMENTS

4. ADOPTION OF HKFRSs *(Continued)*

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

Annual Improvements 2010–2012 Cycle and 2011–2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. Among them HKAS 16 Property, Plant and Equipment has been amended to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

HKFRS 9 — Financial Instruments

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

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the Directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

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

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Land and building carried at fair value is property where the fair value of the leasehold land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease which is stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of leasehold land at the inception of the lease, and other items of plant and equipment, are stated at cost less accumulated depreciation and accumulated impairment losses.

Any surplus arising on revaluation of land and buildings is recognised in other comprehensive income and is accumulated in the property revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in net carrying amount of land and buildings arising on revaluations is recognised in other comprehensive income to the extent of the revaluation surplus in the property revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Land and building carried at fair value	Over the lease terms
Buildings carried at cost	25 to 30 years
Plant and machinery	5 to 10 years
Furniture and fixture	5 to 6 years
Office and other equipment	2 to 6 years
Motor vehicles	3 to 5 years
Leasehold improvements	30 years

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the reporting date.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of land and building carried at fair value.

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. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

(d) Payments for leasehold land held for own use under operating leases

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

(e) Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

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

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leasing *(Continued)*

The Group as lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income is recognised in accordance with Note 5(i). Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(f) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss ("FVTPL")

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

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

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale investments

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

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

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

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

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

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

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

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

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, 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 (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the profit or loss of the period in which the impairment occurs.

If, in 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, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Available-for-sale investments

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss were recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Financial assets other than trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. The Group's financial liabilities include trade, bill and other payables, accruals, amount due to immediate holding company, bank borrowings, bonds payable, promissory notes payable and finance lease payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as in accordance with the Group's accounting policy for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the profit or loss.

Bank borrowings

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

Bank borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(iii) Financial liabilities *(Continued)*

Finance lease payables

Finance lease payables are measured at initial value less the capital element of lease repayments.

Other financial liabilities

Other financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

(iv) Effective interest method

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

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(g) Inventories and consumables

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories for sales of cranes and spare parts is calculated using first-in-first-out method whereas cost of inventories for sales of proprietary Chinese medicines and health products is determined using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumables for own consumption or provision of services are stated at cost. Cost is determined using the weighted average method.

(h) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services and the use by others of the Group's assets yielding interest, dividend and rentals, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods and customer has accepted the goods.

(ii) Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset.

(iii) Service income is recognised when the services are rendered.

(iv) Interest income is recognised on a time-proportion basis using the effective interest method.

(v) Dividend income is recognised when the right to receive payment is established.

(j) Income taxes

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Income taxes *(Continued)*

Current tax assets and current tax liabilities are presented in net if, and only if,

— the Group has the legally enforceable right to set off the recognised amounts; and

— intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

— the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

— the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(k) Foreign currency

Transactions entered into by the Company/group entities in currencies other than currency of the primary economic environment in which it/they operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Foreign currency *(Continued)*

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

(l) Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Group's subsidiaries which operate in Hong Kong are required to participate in the Mandatory Provident Fund ("MPF") Schemes Ordinance, for all of its employees who are eligible to participate in the MPF scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in Singapore are required to participate in the Central Provident Fund ("CPF") Scheme, for all of its employees who are eligible to participate in the CPF scheme. The Group is required to contribute a certain percentage of its payroll costs to the CPF scheme.

The employees of the Group's subsidiaries which operate in Vietnam, Macau and the People's Republic of China (the "PRC") are required to participate in central pension scheme operated by the local municipal governments. The Group is required to contribute 20% of its payroll costs to the central pension scheme in Vietnam and certain percentage of its payroll cost to the central pension scheme in Macau and the PRC.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

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 reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of non-financial assets

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

— Property, plant and equipment under cost model;

— Payments for leasehold land held for own use under operating leases; or

— Investments in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(n) Capitalisation of borrowing costs

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

(o) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Provisions and contingent liabilities *(Continued)*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

(r) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's operating locations.

The Group has identified the following reportable segments:

— Hong Kong

— Singapore

— Vietnam

— Macau

— PRC

Each of these operating segments is managed separately as each of the product and service lines requires different resources. All inter-segment transfers are carried out at prices mutually agreed between the parties.

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Segment reporting *(Continued)*

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

— Interest on bonds payable

— Certain finance costs

— Corporate income and expenses which are not directly attributable to the business activities or any operating segment

are not included in arriving the operating results of the operating segment.

Segment assets include all assets but exclude corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter. Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

(s) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Related parties *(Continued)*

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

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

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

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

6. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(a) Useful life of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment, this estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO THE FINANCIAL STATEMENTS

6. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

(b) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Revalued land and buildings — Property, plant and equipment (Note 16); and
- Available-for-sale investments (Note 18); and
- Financial assets at FVTPL (Note 23).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

(c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Recognition of deferred tax assets primarily involves management judgment and estimations regarding the taxable profits of the entities in which the losses arose. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

NOTES TO THE FINANCIAL STATEMENTS

6. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

(d) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgment and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(e) Impairment loss for trade and other receivables

The Group makes impairment loss for impairment losses on trade and other receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment losses on trade and other receivables requires the use of judgment and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(f) Impairment of available-for-sale investments

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

(g) Impairment loss for non-financial assets

The Group assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating units and choose a suitable discount rate in order to calculate the present value to those cash flows.

NOTES TO THE FINANCIAL STATEMENTS

7. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the geographic location of their operations. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Information regarding the Group's reportable segments as provided to the Group's executive directors is set out below:

	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Total HK$'000
Year ended 31 December 2013							
Revenue							
From external customers	70,073	193,707	1,150	16,952	9,090	–	290,972
From inter segment	10,103	9,270	–	–	–	(19,373)	–
Reportable segment revenue	80,176	202,977	1,150	16,952	9,090	(19,373)	290,972
Reportable segment profit/(loss)	19,164	9,485	(1,376)	434	36	(119)	27,624
Interest on bonds payable							(13,502)
Unallocated corporate expenses							(5,185)
Profit for the year							8,937
Other reportable segment information							
Interest income	1,032	1	10	–	–	–	1,043
Interest expenses	(2,032)	(7,130)	(4)	–	(319)	–	(9,485)
Amortisation on payments for leasehold land held for own use under operating leases	–	–	–	–	(52)	–	(52)
Depreciation of non-financial assets	(13,266)	(32,076)	(211)	–	(386)	–	(45,939)
Impairment loss on trade receivables, net	–	(467)	(267)	–	–	–	(734)
Loss on disposal of property, plant and equipment	–	(33)	–	–	(342)	–	(375)
Income tax expense	(234)	(1,921)	–	(32)	(372)	–	(2,559)
Gain on a bargain purchase on acquisition of a subsidiary	7,597	–	–	–	–	–	7,597
Additions to non-current segment assets during the year	49,559	27,949	–	–	605	(8,391)	69,722
At 31 December 2013							
Reportable segment assets	173,280	353,958	254	7,986	165,663	(1,723)	699,418
Unallocated segment assets							74,733
Total assets							774,151
Reportable segment liabilities	76,830	207,516	124	4,694	119,534	–	408,698
Bonds payable							100,000
Promissory notes payable							37,920
Other unallocated segment liabilities							20,361
Total liabilities							566,979

NOTES TO THE FINANCIAL STATEMENTS

7. SEGMENT INFORMATION *(Continued)*

	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	Inter segment elimination HK$'000	Total HK$'000
Year ended 31 December 2012						
Revenue						
From external customers	39,847	158,510	507	2,240	–	201,104
From inter segment	–	8,600	–	–	(8,600)	–
Reportable segment revenue	39,847	167,110	507	2,240	(8,600)	201,104
Reportable segment profit/(loss)	(2,833)	14,204	(2,082)	297	(1,321)	8,265
Interest on bonds payable						(6,859)
Unallocated corporate expenses						(3,363)
Loss for the year						(1,957)
Other reportable segment information						
Interest income	668	6	34	–	–	708
Interest expenses	(1,069)	(7,758)	(1)	–	–	(8,828)
Depreciation of non-financial assets	(8,311)	(31,002)	(454)	–	–	(39,767)
Impairment loss on trade receivables	–	(2,007)	(16)	–	–	(2,023)
Gain on disposal of property, plant and equipment	85	–	134	–	(61)	158
Income tax (expense)/credit	815	(2,214)	–	–	–	(1,399)
Additions to non-current segment assets during the year	24,439	98,494	–	–	(6,983)	115,950
At 31 December 2012						
Reportable segment assets	122,140	360,535	3,213	4,864	(2,915)	487,837
Unallocated segment assets						96,581
Total assets						584,418
Reportable segment liabilities	58,025	218,244	235	3,065	(41)	279,528
Bonds payable						100,000
Other unallocated segment liabilities						6,860
Total liabilities						386,388

NOTES TO THE FINANCIAL STATEMENTS

7. SEGMENT INFORMATION *(Continued)*

The following tables present (i) the revenue from external customers by locations/jurisdictions on the locations of customers which the Group derived revenue for the year and (ii) non-current assets other than available-for-sale investments by locations of assets.

Revenue from external customers

	Hong Kong (domicile)	Singapore	Vietnam	Macau	PRC	Sri Lanka	Korea	Thailand	Indonesia	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2013	**70,693**	**170,802**	**2,501**	**16,953**	**9,019**	**3,339**	**12,440**	**–**	**4,014**	**1,211**	**290,972**
Year ended 31 December 2012	45,266	146,200	516	3,297	–	–	–	3,842	–	1,983	201,104

Non-current assets

	Hong Kong (domicile)	Singapore	Vietnam	PRC	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2013	**109,730**	**256,183**	**–**	**74,232**	**440,145**
At 31 December 2012	79,731	283,735	1,647	–	365,113

The Group's revenue from external customers for different products and services is set out in note 8.

Information about a major customer

There was no single customer that contributed to 10% or more of the Group's revenue for the year ended 31 December 2013.

Revenue from one customer of the Group's Singapore segment amounted to approximately HK$20,964,000, which represented over 10% of the Group's revenue for the year ended 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

8. REVENUE

The Group's principal activities are trading of construction machinery and spare parts, leasing of the construction machinery, providing repair and maintenance of services in respect of the construction machinery and manufacturing and sales of proprietary Chinese medicines and health products.

Revenue from the Group's principal activities during the year is as follows:

	2013 **HK$'000**	2012 HK$'000
Sales of machinery	**89,114**	47,358
Sales of spare parts	**11,415**	6,958
Rental income from leasing of owned plant and machinery and those held under finance leases	**125,660**	101,645
Rental income from subleasing of plant and machinery	**22,468**	22,529
Service income	**33,225**	22,614
Sales of proprietary Chinese medicines and health products	**9,090**	–
	290,972	201,104

9. OTHER INCOME

	2013 **HK$'000**	2012 HK$'000
Bank interest income	**1,043**	708
Compensation received	**1,082**	440
Dividend income	**69**	177
Net foreign exchange gain	**–**	5,120
Gain on disposal of property, plant and equipment	**–**	158
Commission income	**78**	410
Fair value gain of financial assets at FVTPL *(Note 23)*	**43**	–
Gain on disposal of an available-for-sale investment *(Note 18(ii))*	**1,272**	–
Government subsidies *(Note)*	**640**	–
Gain on a bargain purchase on acquisition of a subsidiary *(Note 34)*	**7,597**	–
Recovery of bad debts	**443**	
Others	**919**	633
	13,186	7,646

Note: Government subsidies comprised unconditional cash subsidies from government for subsidising the Group's research and development activities in respect of proprietary Chinese medicines and health products.

NOTES TO THE FINANCIAL STATEMENTS

10. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest charges on financial liabilities stated at amortised cost:		
— Trust receipt loans wholly repayable within five years	**678**	391
— Bank borrowings wholly repayable within five years *(Note)*	**429**	490
— Bank borrowings not wholly repayable within five years	**1,421**	841
— Bonds wholly repayable within five years	**13,502**	6,859
— Finance lease payables wholly repayable within five years	**6,868**	6,414
— Trade payables	**89**	692
	22,987	15,687

Note: The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause in accordance with the agreed scheduled repayments dates set out in the loan agreements. The interest on bank borrowings which includes a repayment on demand clause amounted to approximately HK$106,000 (2012: HK$145,000).

NOTES TO THE FINANCIAL STATEMENTS

11. PROFIT/(LOSS) BEFORE INCOME TAX

	2013 **HK$'000**	2012 HK$'000
Profit/(loss) before income tax is arrived at after charging/(crediting):		
Auditor's remuneration		
— Current year	**892**	692
— Underprovision in respect of prior year	**54**	13
Cost of inventories recognised as an expense	**86,976**	47,358
Depreciation of property, plant and equipment *(Note (i))*		
— Owned assets	**20,542**	19,408
— Assets held under finance leases	**25,397**	20,359
Amortisation of payments for leasehold land held for own use under operating leases *(Note (i))*	**52**	–
Impairment loss on trade receivables, net *(Note (ii))*	**734**	2,023
Impairment loss on other receivables	**921**	–
Allowance for impairment of inventories	**562**	–
Loss/(gain) on disposal of property, plant and equipment	**375**	(158)
Operating lease charges in respect of land and buildings	**3,535**	2,372
Provision for legal claim *(Note (iii) and Note 36)*	**3,323**	–
Staff costs (including Directors' remuneration *(Note 15)*)		
— Wages, salaries and bonuses	**30,563**	29,091
— Contribution to defined contribution pension plans *(Note (iv))*	**3,712**	2,432
Recovery of bad debts	**(443)**	–
Net foreign exchange loss/(gain)	**281**	(5,120)
Net rental income from subletting of plant and machinery	**(7,796)**	(5,224)

Notes:

(i) Depreciation and amortisation had been included in cost of sales and services and operating expenses.

(ii) Impairment loss on trade receivables, net had been included in administrative expenses.

(iii) Provision for legal claim had been included in administrative expenses.

(iv) During the year, the Group had no forfeited contributions available to reduce its contributions to the pension schemes (2012: nil).

NOTES TO THE FINANCIAL STATEMENTS

12. INCOME TAX EXPENSE

	2013 **HK$'000**	2012 HK$'000
Current tax — Singapore		
— Current year	**50**	419
— Overprovision in respect of prior years	**(165)**	–
	(115)	419
Current tax — PRC		
— Current year	**372**	–
Current tax — Macau		
— Current year	**32**	–
Deferred tax		
— Current year *(Note 31)*	**2,270**	980
Total income tax expense	**2,559**	1,399

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any taxation under the jurisdictions of the Cayman Islands and the BVI.

Hong Kong and Vietnam profits tax have not been provided as the Group has (i) no assessable profits or (ii) allowable tax losses brought forward to set off against the assessable profits during the year.

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

Macau Complementary Tax has been provided for the year at a tax rate of 12% on the estimated assessable profits. No provision for Macau Complementary Tax had been provided for the year ended 31 December 2012 as the Group had no assessable profits.

PRC Enterprise Income Tax has been provided for the year at a tax rate of 25% on the estimated assessable profits.

NOTES TO THE FINANCIAL STATEMENTS

12. INCOME TAX EXPENSE *(Continued)*

A reconciliation of income tax expense and accounting profit/(loss) at applicable tax rate is as follows:

	2013	2012
	HK$'000	HK$'000
Profit/(loss) before income tax	**11,496**	(558)
Tax calculated at the domestic tax rate of 16.5% (2012: 16.5%)	**1,897**	(92)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**47**	82
Tax effect of non-deductible expenses	**4,441**	2,756
Tax effect of non-taxable income	**(3,544)**	(819)
Tax effect of temporary difference not recognised	**(1,783)**	(2,322)
Tax effect of tax losses not recognised	**2,035**	1,988
Overprovision in respect of prior years	**(165)**	–
Others	**(369)**	(194)
Income tax expense	**2,559**	1,399

13. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2013 (2012: nil).

14. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately HK$9,254,000 (2012: loss of approximately HK$1,677,000) and on the weighted average number of 800,000,000 (2012: 800,000,000) ordinary shares in issue during the year.

Diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share because the Group has no dilutive potential shares during the year (2012: nil).

NOTES TO THE FINANCIAL STATEMENTS

15. DIRECTORS' REMUNERATIONS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remunerations

	Date of appointment/ resignation during the year	Directors' fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Contribution to pension plan HK$'000	Total HK$'000
2013						
Executive directors						
Mr. So Chung		–	900	–	15	915
Miss So Man		–	900	–	15	915
Miss So Wai	Appointed on 23 May 2013	–	548	–	10	558
Non-executive director						
Mr. Lam Woon Kun		300	–	–	–	300
Independent non-executive directors						
Ms. Lo Miu Sheung Betty		120	–	–	–	120
Mr. Ho Gar Lok		120	–	–	–	120
Mr. Lam Cheung Shing	Appointed on 23 May 2013	73	–	–	–	73
Mr. Chan Mo	Resigned on 23 May 2013	48	–	–	–	48
		661	2,348	–	40	3,049

NOTES TO THE FINANCIAL STATEMENTS

15. DIRECTORS' REMUNERATIONS AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' remunerations *(Continued)*

	Date of appointment/ resignation during the year	Directors' fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Contribution to pension plan HK$'000	Total HK$'000
2012						
Executive directors						
Mr. So Chung	Appointed on 13 March 2012	–	675	–	11	686
Miss So Man	Appointed on 13 March 2012	–	675	–	11	686
Mr. Chung Tze Hien	Resigned on 3 April 2012	31	–	120	–	151
Mr. Quek Chang Yeow	Resigned on 3 April 2012	–	338	300	40	678
Mr. Lai Siu Shing	Resigned on 3 April 2012	–	219	70	3	292
Non-executive director						
Mr. Lam Woon Kun	Appointed on 13 March 2012	–	225	–	–	225
Independent non-executive directors						
Ms. Lo Miu Sheung Betty	Appointed on 13 March 2012	90	–	–	–	90
Mr. Chan Mo	Appointed on 13 March 2012	90	–	–	–	90
Mr. Ho Gar Lok	Appointed on 13 March 2012	90	–	–	–	90
Mr. Cheung Chi Wai Vidy	Resigned on 3 April 2012	20	–	–	–	20
Mr. Lau Wing Yuen	Resigned on 3 April 2012	20	–	–	–	20
Mr. Louie Chun Kit	Resigned on 3 April 2012	28	–	–	–	28
		369	2,132	490	65	3,056

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2012: nil).

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2012: nil).

NOTES TO THE FINANCIAL STATEMENTS

15. DIRECTORS' REMUNERATIONS AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 2 directors for the year (2012: 2 directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 highest paid individuals for the year (2012: 3 individuals) are as follows:

	2013 **HK$'000**	2012 HK$'000
Salaries and other emoluments	**3,464**	3,843
Discretionary bonuses	**1,058**	2,637
Contribution to pension plans	**222**	197
	4,744	6,677

Mr. Quek Chang Yeow was resigned as an executive director with effect from 3 April 2012. The emoluments from the date of resignation as an executive director to 31 December 2012 were HK$2,050,000. He was one of the five highest paid individuals of the Group for the year ended 31 December 2012 with total emoluments of HK$2,728,000.

Mr. Lai Siu Sing was resigned as an executive director with effect from 3 April 2012. The emoluments from the date of resignation as an executive director to 31 December 2012 were HK$1,222,000. He was one of the five highest paid individuals of the Group for the year ended 31 December 2012 with total emoluments of HK$1,514,000.

The emoluments of non-director highest paid individuals fell within the following bands:

	2013	2012
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	2
HK$2,000,001 to HK$2,500,000	**1**	–

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2012: nil).

(c) Senior management's emoluments

The emoluments paid or payable to 11 (2012: 18) members of senior management whose emoluments fell within the following bands:

	2013	2012
Nil to HK$1,000,000	**10**	14
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1

NOTES TO THE FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT — GROUP AND COMPANY

Group

	Land and building carried at fair value HK$'000	Buildings carried at cost HK$'000	Plant and machinery HK$'000	Furniture and fixture HK$'000	Office and other equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 1 January 2012								
Cost or valuation	6,638	47,819	398,645	2,630	3,983	3,898	4,668	468,281
Accumulated depreciation	–	(1,641)	(168,402)	(2,437)	(3,331)	(2,281)	(89)	(178,181)
Net carrying amount	6,638	46,178	230,243	193	652	1,617	4,579	290,100
Year ended 31 December 2012								
Opening net carrying amount	6,638	46,178	230,243	193	652	1,617	4,579	290,100
Additions	–	–	113,562	66	318	1,923	81	115,950
Disposals	–	–	(69)	–	(1)	(375)	–	(445)
Depreciation	(184)	(1,716)	(36,566)	(58)	(371)	(707)	(165)	(39,767)
Transfer to inventories	–	–	(14,884)	–	–	–	–	(14,884)
Valuation adjustment	1,444	–	–	–	–	–	–	1,444
Exchange differences	–	2,107	10,336	8	16	39	209	12,715
Closing net carrying amount	7,898	46,569	302,622	209	614	2,497	4,704	365,113
At 31 December 2012								
Cost or valuation	7,898	49,925	466,453	2,703	4,242	4,191	4,961	540,373
Accumulated depreciation	–	(3,356)	(163,831)	(2,494)	(3,628)	(1,694)	(257)	(175,260)
Net carrying amount	7,898	46,569	302,622	209	614	2,497	4,704	365,113
Year ended 31 December 2013								
Opening net carrying amount	**7,898**	**46,569**	**302,622**	**209**	**614**	**2,497**	**4,704**	**365,113**
Additions	**–**	**–**	**68,547**	**84**	**307**	**784**	**–**	**69,722**
Acquired through business combination *(Note 34)*	**–**	**41,712**	**6,976**	**276**	**134**	**363**	**–**	**49,461**
Disposals	**–**	**–**	**(2,420)**	**(162)**	**–**	**(86)**	**–**	**(2,668)**
Depreciation	**(226)**	**(1,907)**	**(42,396)**	**(73)**	**(347)**	**(828)**	**(162)**	**(45,939)**
Transfer to inventories	**–**	**–**	**(17,102)**	**–**	**–**	**–**	**–**	**(17,102)**
Valuation adjustment	**1,226**	**–**	**–**	**–**	**–**	**–**	**–**	**1,226**
Exchange differences	**–**	**(217)**	**(3,615)**	**1**	**(5)**	**(25)**	**(75)**	**(3,936)**
Closing net carrying amount	**8,898**	**86,157**	**312,612**	**335**	**703**	**2,705**	**4,467**	**415,877**
At 31 December 2013								
Cost or valuation	**8,898**	**91,422**	**476,866**	**2,813**	**4,648**	**5,148**	**4,882**	**594,677**
Accumulated depreciation	**–**	**(5,265)**	**(164,254)**	**(2,478)**	**(3,945)**	**(2,443)**	**(415)**	**(178,800)**
Net carrying amount	**8,898**	**86,157**	**312,612**	**335**	**703**	**2,705**	**4,467**	**415,877**

NOTES TO THE FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT — GROUP AND COMPANY *(Continued)*

Group *(Continued)*

The analysis of net carrying amounts for the above assets under the cost or valuation model is as follows:

	Land and building carried at fair value HK$'000	Buildings carried at cost HK$'000	Plant and machinery HK$'000	Furniture and fixture HK$'000	Office and other equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 31 December 2013								
At cost	**–**	**86,157**	**312,612**	**335**	**703**	**2,705**	**4,467**	**406,979**
At valuation	**8,898**	**–**	**–**	**–**	**–**	**–**	**–**	**8,898**
	8,898	**86,157**	**312,612**	**335**	**703**	**2,705**	**4,467**	**415,877**
At 31 December 2012								
At cost	–	46,569	302,622	209	614	2,497	4,704	357,215
At valuation	7,898	–	–	–	–	–	–	7,898
	7,898	46,569	302,622	209	614	2,497	4,704	365,113

Company

	Furniture and fixture HK$'000
At 1 January 2012 and 31 December 2012	**–**
Cost and net carrying amount	**–**
Year ended 31 December 2013	
Opening net carrying amount	**–**
Additions	**8**
Depreciation	**(1)**
Closing net carrying amount	**7**
At 31 December 2013	
Cost	**8**
Accumulated depreciation	**(1)**
Net carrying amount	**7**

NOTES TO THE FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT — GROUP AND COMPANY *(Continued)*

The Group's land and building carried at fair value was valued at 31 December 2013 (2012: 31 December 2012) on an open market value basis by a firm of independent qualified professional surveyor, LCH (Asia-Pacific) Surveyors Limited ("LCH"), members of LCH are professional members of the Hong Kong Institute of Surveyors. Fair values were estimated based on recent market transactions, which were then adjusted for the time, floor and size relating to the land and building. The revaluation surplus was credited to other comprehensive income. The fair value of land and building is a level 2 recurring fair value measurement.

Had the land and building carried at fair value been measured on cost model, the net carrying amount would have been as follows:

	2013 **HK$'000**	2012 HK$'000
Cost	**1,871**	1,871
Accumulated depreciation	**(754)**	(720)
Net carrying amount	**1,117**	1,151

At 31 December 2013, the Group's land and building carried at fair value was situated in Hong Kong (2012: Hong Kong) and was held under medium term lease (2012: medium term lease).

At 31 December 2013, the Group's buildings carried at cost were situated in Singapore and the PRC (2012: Singapore) and were held under medium term lease (2012: medium term lease).

At 31 December 2013, the net carrying amount of the Group's plant and machinery (2012: plant and machinery) included an amount of HK$222,130,000 (2012: HK$204,854,000) in respect of assets held under finance leases *(Note 30)*.

At 31 December 2013, no plant and machinery (2012: the net carrying amount of the Group's plant and machinery included an amount of HK$20,250,000) were pledged as security for bank borrowings.

At 31 December 2013, the net carrying amount of the Group's land and building carried at fair value included an amount of approximately HK$8,898,000 (2012: HK$7,898,000) were pledged as security for banking facilities.

At 31 December 2013, the net carrying amount of the Group's buildings carried at cost included an amount of approximately HK$86,157,000 (2012: HK$46,569,000) were pledged as security for bank borrowings *(Note 28)*.

NOTES TO THE FINANCIAL STATEMENTS

17. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES — GROUP

	HK$'000
At 1 January 2013	**–**
Acquired through business combination *(Note 34)*	**24,016**
Amortisation charge for the year	**(52)**
Exchange differences	**304**
At 31 December 2013	**24,268**

The above land is held under medium term lease and is located in the PRC. At 31 December 2013, the above land was pledged as security for bank borrowings *(Note 28)*.

18. AVAILABLE-FOR-SALE INVESTMENTS — GROUP

	2013 **HK$'000**	2012 HK$'000
Non-current asset:		
Listed equity investments in Hong Kong, at fair value *(Note (i))*	**2,846**	–
Non-current asset held for sale:		
Unlisted equity investment outside Hong Kong, at cost *(Note (ii))*	**–**	580
	2,846	580

Notes:

(i) During the year ended 31 December 2013, the change in fair value loss on the available-for-sale investments of the Group amounted to approximately HK$91,000 was recognised in equity as investment revaluation reserve.

The fair values of listed equity investments are based on quoted market prices.

The financial assets are traded on active liquid markets. The fair values are determined with reference to quoted market prices which are under Level 1 (quoted prices (unadjusted) in active markets for identical assets or liabilities) of fair value hierarchy under HKFRS 7.

(ii) On 25 January 2013, the Group entered into a sale and purchase agreement with a third party, to dispose its entire equity interest in 深圳能科達機械工程有限公司, Shenzhen Nectar Engineering & Equipment Co., Ltd for a consideration of RMB1.486 million (approximately HK$1.85 million). The amount of investment has been reclassified as "non-current asset held for sale" as at 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

19. INTERESTS IN SUBSIDIARIES — COMPANY

	2013 HK$'000	2012 HK$'000
Investments in subsidiaries		
Unlisted shares, at cost	–	–

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

At 31 December 2013, the particulars of the subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	Form of business structure	Place of incorporation/ operation	Particulars of issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities
Interests held directly					
Alpha Chance Limited	Limited liability company	BVI/Hong Kong	1 ordinary share of United States Dollar ("US$")1 each	100%	Investment holding
Chief Key Limited	Limited liability company	BVI/Hong Kong	1 ordinary share of US$1 each	100%	Investment holding
Eagle Legend Investment (Hong Kong) Limited	Limited liability company	Hong Kong	1 ordinary share of HK$1 each	100%	Investment holding
Lucky Boom Investments Limited	Limited liability company	BVI/Hong Kong	1 ordinary share of US$1 each	100%	Investment holding
Interests held indirectly					
Chief Strategy Limited	Limited liability company	BVI/Hong Kong	300 ordinary shares of US$1 each	100%	Investment holding
Forever Treasure Asia Limited	Limited liability company	Hong Kong	1 ordinary share of HK$1 each	100%	Investment holding
Gold Lake Holdings Limited	Limited liability company	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	Investment holding
Manta Engineering and Equipment Company, Limited	Limited liability company	Hong Kong	145,306 ordinary shares of HK$100 each	100%	Trading in construction machinery and spare parts
Manta Equipment Rental Company Limited	Limited liability company	Hong Kong	96,148 ordinary shares of HK$100 each	100%	Leasing of construction machinery and provision of repair and maintenance services
Manta Equipment (S) Pte Ltd	Limited liability company	Singapore	10,000,000 ordinary shares of Singapore Dollar ("S$") 1 each	100%	Trading and leasing of construction machinery and provision of repair and maintenance services

NOTES TO THE FINANCIAL STATEMENTS

19. INTERESTS IN SUBSIDIARIES — COMPANY *(Continued)*

Name	Form of business structure	Place of incorporation/ operation	Particulars of issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities
Manta Equipment Services Limited	Limited liability company	Hong Kong	1,132 ordinary shares of HK$100 each	100%	Investment holding
Manta-Vietnam Construction Equipment Leasing Limited ("Manta-Vietnam")	Limited liability company	Vietnam	Owner invest equity Vietnamese Dong ("VND") 10,649,879,390	67%	Leasing of construction equipment
Manta Engineering and Equipment (Macau) Company Limited	Limited liability company	Macau	1 quota with nominal value of MOP25,000	100%	Leasing of construction equipment
Manta Services (S) Pte Limited	Limited liability company	Singapore	10,000 ordinary shares of S$1 each	100%	Inactive
江西半邊天藥業有限公司, Jiangxi Newomen Pharmaceutical Co., Ltd.* ("JXN")	Wholly foreign-owned enterprise	PRC	Renminbi ("RMB") 30,000,000	100%	Research and development, manufacturing and sales of proprietary Chinese medicines and health products

* The English translation of the company name is for reference only. The official name of this company is in Chinese.

20. INVENTORIES AND CONSUMABLES — GROUP

	2013 **HK$'000**	2012 HK$'000
Proprietary Chinese medicines and health products	**13,341**	–
Cranes and spare parts	**30,518**	27,887
	43,859	27,887

NOTES TO THE FINANCIAL STATEMENTS

21. TRADE RECEIVABLES — GROUP

	2013 **HK$'000**	2012 HK$'000
Trade receivables, gross	**85,114**	50,210
Less: Provision for impairment	**(2,105)**	(1,393)
Trade receivables, net	**83,009**	48,817

The Group's trading terms with its existing customers are mainly on credit. The credit period is, in general, ranging from 0 to 60 days or based on the terms agreed in the relevant sales and rental agreements.

The Directors consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The ageing analysis of trade receivables as at the reporting date, net of impairment, based on invoice date, is as follows:

	2013 **HK$'000**	2012 HK$'000
0–30 days	**30,631**	9,473
31–60 days	**23,660**	14,280
61–90 days	**16,869**	12,631
Over 90 days	**11,849**	12,433
	83,009	48,817

NOTES TO THE FINANCIAL STATEMENTS

21. TRADE RECEIVABLES — GROUP *(Continued)*

The movement in the allowance for impairment of trade receivables during the year is as follows:

	2013 HK$'000	2012 HK$'000
At 1 January	1,393	519
Impairment loss recognised	975	2,023
Recovery of impairment	(241)	–
Bad debts written off	–	(1,172)
Net exchange differences	(22)	23
At 31 December	2,105	1,393

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. At 31 December 2013, the Group had determined HK$2,105,000 trade receivables (2012: HK$1,393,000) as individually impaired. Based on this assessment, approximately HK$975,000 of impairment loss had been provided (2012: HK$2,023,000), HK$241,000 of impairment loss was recovered (2012: nil) and no impairment loss was written off for the year (2012: HK$1,172,000). The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

The ageing analysis of the Group's trade receivables that are not impaired is as follows:

	2013 HK$'000	2012 HK$'000
Neither past due nor impaired	13,469	8,027
Not more than 3 months past due	50,859	34,807
Over 3 months past due	18,681	5,983
	83,009	48,817

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of customers that have a good track record of repayment with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES — GROUP

	2013 HK$'000	2012 HK$'000
Prepayments	10,188	9,280
Deposits	3,563	2,487
Other receivables	40,403	1,041
	54,154	12,808

At 31 December 2013, other receivables included an amount of approximately HK$25,625,000 (equivalent to RMB20,019,000) (2012: nil) which represented advances made by the Group to a managerial staff for daily purchases of a subsidiary operated in the PRC. The balance due was unsecured, interest free and repayable on demand.

At 31 December 2013, other receivables also included an amount of approximately HK$11,249,000 (equivalent to RMB8,788,000) (2012: nil) which represented advances made by the Group to a major customer of a subsidiary operated in the PRC. The balance due was unsecured, interest free and repayable on demand.

None of the above financial assets was either past due or impaired. The financial assets included in the above balances related to counterparties for which there was no recent history of default. The Group did not hold any collateral as security or other credit enhancements over the other receivables.

The carrying amounts of deposits and other receivables of the Group approximate their fair values as this financial asset which is measured at amortised cost, is expected to be repaid within a short timescale, such that the time value of money is not significant.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — GROUP

	2013 HK$'000	2012 HK$'000
Listed securities in Hong Kong, at fair value	1,038	–

During the year ended 31 December 2013, the change in fair value on the financial asset at FVTPL of the Group amounted to HK$43,000 were recognised in profit or loss as fair value gain on financial asset at FVTPL (Note 9).

The financial assets are traded on active liquid markets. The fair values are determined with reference to quoted market prices which are under Level 1 (quoted prices (unadjusted) in active markets for identical assets or liabilities) of fair value hierarchy under HKFRS 7.

NOTES TO THE FINANCIAL STATEMENTS

24. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS — GROUP AND COMPANY

At 31 December 2012, pledged bank deposits had maturities of 3 months and such deposits had been pledged to certain banks as securities for bank borrowings (Note 28) and finance lease payables (Note 30). The effective interest rates of the Group's pledged bank deposits were set out in note 40(a). The Directors considered that the fair value of the short-term bank deposits is not materially different from their carrying amount because of the short maturity period on their inception.

	Group	
	2013	2012
	HK$'000	HK$'000
Cash at bank and in hand	**67,244**	27,185
Bank deposits maturing within three months	**78,341**	98,514
Cash and cash equivalents for the purpose of statement of cash flows	**145,585**	125,699
Bank deposits maturing over three months	**3,515**	–
	149,100	125,699

	Company	
	2013	2012
	HK$'000	HK$'000
Cash at bank and in hand	**2,517**	1,581
Bank deposits maturing within three months	**68,332**	*95,000*
	70,849	*96,581*

The Group had cash and cash equivalents denominated in RMB of approximately RMB67,813,000 (2012: nil) of which the remittance of approximately RMB14,335,000 (2012: nil) out of the PRC was subject to the exchange control restrictions imposed by the PRC government.

Cash and cash equivalents represent bank deposits and cash at bank and in hand. Bank deposits earn interest at fixed rates ranged from 0.4% to 3.2% per annum. They had maturities ranged from one month to six months. Cash at bank earns interest at floating rates based on daily bank deposits rates. The Group's and the Company's exposures to foreign currency risk were set out in note 40(c).

NOTES TO THE FINANCIAL STATEMENTS

25. TRADE AND BILL PAYABLES — GROUP

	2013 HK$'000	2012 HK$'000
Trade payables	**65,966**	24,639
Bill payables	**421**	23,980
	66,387	48,619

The credit period is, in general, ranging from 30 to 60 days or based on the terms agreed in the relevant purchase agreements. At 31 December 2013, trade payables of approximately HK$24,393,000 (2012: HK$6,694,000) were interest-bearing at 5.5% per annum (2012: 5.5% per annum).

The ageing analysis of trade and bill payables as at the reporting date, based on invoice date, is as follows:

	2013 HK$'000	2012 HK$'000
0–30 days	**35,051**	35,809
31–60 days	**11,625**	6,669
61–90 days	**11,804**	2,963
Over 90 days	**7,907**	3,178
	66,387	48,619

The fair values of trade and bill payables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

NOTES TO THE FINANCIAL STATEMENTS

26. RECEIPT IN ADVANCE, ACCRUALS AND OTHER PAYABLES — GROUP

	2013 **HK$'000**	2012 HK$'000
Current liabilities		
Receipt in advance	**30,955**	24,059
Accruals	**36,448**	14,753
Other payables	**2,113**	2,375
	69,516	41,187

The carrying amounts of accruals and other payables approximate their fair values as these financial liabilities which are measured at amortised cost, are expected to be repaid within a short timescale, such that the time value of money is not significant.

	2013 **HK$'000**	2012 HK$'000
Non-current liability		
Other payables	**35,351**	–

The carrying amounts of other payables measured at amortised cost approximate their fair values.

27. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY — GROUP AND COMPANY

The amount due was unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

28. BANK BORROWINGS — GROUP

	2013 HK$'000	2012 HK$'000
Trust receipt loans, repayable within one year	–	8,359
Bank borrowings repayable:		
Within one year	51,325	6,728
More than one year, but not exceeding two years	2,624	4,043
More than two years, but not exceeding five years	5,550	6,407
More than five years	17,142	19,250
	76,641	44,787
Portion classified as current liabilities	(52,285)	(16,965)
Non-current portion	24,356	27,822

Bank borrowings were denominated in HK$, S$ and RMB. Certain bank borrowings bore interest at fixed interest rates with effective interest rates at 31 December 2013 ranged from 6.3% to 7.3% per annum. The other bank borrowings bore interest at variable interest rates. The effective interest rates of the Group's bank borrowings were set out in note 40(a).

At 31 December 2013, bank borrowings of the Group were secured by buildings carried at cost (Note 16) and payments for leasehold land held for own use under operating leases (Note 17) of the Group and corporate guarantees executed by the Company and certain subsidiaries.

At 31 December 2012, bank borrowings of the Group were secured by bank deposits (Note 24), buildings carried at cost and plant and machinery of the Group (Note 16) and corporate guarantees executed by the Company and certain subsidiaries.

The carrying values of the Group's borrowings approximate their fair values.

The current liabilities included bank borrowings of approximately HK$960,000 (2012: HK$1,878,000) that are not scheduled to repay within one year. They were classified as current liabilities as the related loan agreements contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

29. BONDS PAYABLE — GROUP

The bonds carry interest at a rate of 12% per annum, repayable on 11 June 2014 and secured by the equity interest of certain subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCE LEASE PAYABLES — GROUP

	2013 **HK$'000**	2012 HK$'000
Total minimum lease payments:		
Due within one year	**55,875**	57,954
Due in the second to fifth years	**117,095**	111,505
	172,970	169,459
Future finance charges on finance leases	**(12,871)**	(25,439)
Present value of finance lease liabilities	**160,099**	144,020
Present value of minimum lease payments:		
Due within one year	**49,875**	40,685
Due in the second to fifth years	**110,224**	103,335
	160,099	144,020
Less: Portion classified as current liabilities	**(49,875)**	(40,685)
Non-current portion	**110,224**	103,335

The Group has entered into finance leases for items of plant and machinery. The average lease term is 3 to 5 years. At the end of the lease term, the Group has the option to purchase the leased equipment at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease for it to be reasonably certain, at the inception of the lease, that the option will be exercised.

Certain finance lease payables bore interest at fixed interest rates with effective interest rates at 31 December 2013 ranged from 2.9% to 8.6% per annum. The other finance lease payables bore interest at variable interest rates. The effective interest rates on the Group's finance lease payables as at reporting date were set out in note 40(a).

At 31 December 2013, finance lease payables of the Group were secured by land and building carried at fair value (Note 16) and corporate guarantees executed by the Company and certain subsidiaries.

At 31 December 2012, finance lease payables of the Group were secured by bank deposits (Note 24), land and building at fair value (Note 16) and corporate guarantees executed by the Company and certain subsidiaries.

Finance lease payables are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group.

NOTES TO THE FINANCIAL STATEMENTS

31. DEFERRED TAX — GROUP

Deferred tax is calculated in full on temporary differences under the liability method using the following principal tax rates:

	2013	2012
Hong Kong profits tax	**16.5%**	16.5%
Singapore profits tax	**17%**	17%
PRC Enterprise Income Tax	**25%**	25%

The movement on deferred tax liabilities is as follows:

	Deferred tax liabilities attributable to accelerated tax depreciation HK$'000	**Revaluation of properties** HK$'000	**Total** HK$'000
At 1 January 2012	(6,200)	–	(6,200)
Recognised in the profit or loss *(Note 12)*	(980)	–	(980)
Exchange differences	(171)	–	(171)
At 31 December 2012 and 1 January 2013	(7,351)	–	(7,351)
Arising from acquisition of a subsidiary *(Note 34)*	–	(11,303)	(11,303)
Recognised in the profit or loss *(Note 12)*	(2,270)	–	(2,270)
Exchange differences	92	(142)	(50)
At 31 December 2013	**(9,529)**	**(11,445)**	**(20,974)**

Deferred tax asset in respect of tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in Hong Kong amounted to HK$59,463,000 (2012: HK$47,128,000) can be carried forward indefinitely under the current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

32. SHARE CAPITAL

	Number '000	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January and 31 December 2013	**200,000,000**	**2,000,000**
Issued and fully paid:		
At 1 January 2012	**200,000**	**2,000**
Bonus issue *(Note)*	**600,000**	**6,000**
At 31 December 2012, 1 January 2013 and 31 December 2013	**800,000**	**8,000**

Note: Pursuant to the ordinary resolution of the extraordinary general meeting passed on 18 September 2012, a bonus issue was approved to issue on the basis of three bonus shares for every then one existing share held by the qualifying shareholders on 4 October 2012. 600,000,000 ordinary shares of HK$0.01 each were issued.

The Company has a share option scheme ("SO Scheme") which was adopted on 25 June 2010 for the purpose of providing incentives and rewards to eligible participants who contribute to the Group's operations. Eligible participants of the SO Scheme include any person being employee, adviser, consultant, service provider, agent, customer, partner and joint-venture partner of the Group. Further details of the SO Scheme are disclosed in the prospectus of the Company dated 30 June 2010.

No option has been granted by the Company under the SO scheme since its adoption.

NOTES TO THE FINANCIAL STATEMENTS

33. RESERVES — GROUP AND COMPANY

Merger reserve

The merger reserve of the Group arose as a result of the group reorganisation which was completed on 25 June 2010, represented the difference between (a) the sum of nominal value of the combined capital and share premium of the Group and (b) the nominal value of the share capital of the Company.

Contributed surplus

Contributed surplus of the Company represented the difference between the net assets value transferred from certain subsidiaries to the Company pursuant to the group reorganisation and the nominal value of share capital and share premium of the Company.

Share premium

The share premium account represented the premium arose from the issue of shares of the Company.

Group

Details of the movements on the Group's reserve are as set out in the consolidation statement of changes in equity.

Company

	Share premium	Contributed surplus	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2012	69,968	104,597	(12,339)	162,226
Bonus issue *(Note 32)*	(6,000)	–	–	(6,000)
Loss and total comprehensive income for the year	–	–	(4,482)	(4,482)
Release upon reorganisation	–	(63,025)	–	(63,025)
Balance at 31 December 2012 and 1 January 2013	63,968	41,572	(16,821)	88,719
Loss and total comprehensive income for the year	–	–	(5,387)	(5,387)
Balance at 31 December 2013	**63,968**	**41,572**	**(22,208)**	**83,332**

NOTES TO THE FINANCIAL STATEMENTS

34. BUSINESS ACQUISITION DURING THE YEAR

On 29 November 2013, the Group acquired 100% equity interest of JXN from certain independent third parties at a consideration of RMB30 million (approximately HK$37.92 million), which was satisfied by the issuance of promissory notes. The principal activities of JXN are research and development, manufacturing and sales of proprietary Chinese medicines and health products in the PRC. The Directors consider the acquisition is a good opportunity for the Group to expand the business into manufacturing and selling of medical and health products in the PRC which will broaden the income sources of the Group.

The fair values of identifiable assets and liabilities acquired at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	49,461
Payments for leasehold land held for own use under operating leases	24,016
Inventories	17,064
Trade and bill receivables	16,451
Prepayments, deposits and other receivables	55,952
Cash and cash equivalents	7,735
Trade payables	(22,994)
Accruals and other payables	(9,168)
Bank borrowings	(46,768)
Other payables — non-current	(34,929)
Deferred tax liabilities	(11,303)
Net assets acquired	45,517
Gain on a bargain purchase	(7,597)
Total consideration	37,920
Satisfied by:	
Issuance of promissory notes	37,920
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	7,735

NOTES TO THE FINANCIAL STATEMENTS

34. BUSINESS ACQUISITION DURING THE YEAR *(Continued)*

Gain on a bargain purchase of HK$7,597,000 was recognised upon completion of the acquisition of JXN. The gain on a bargain purchase on acquisition was mainly attributable to the vendors were willing to accept less than business fair value as consideration. The gain on a bargain purchase was included in other income in the consolidated statement of comprehensive income (Note 9).

The fair value of trade and other receivables amounted to HK$72,403,000. The gross amount of these receivables is HK$72,981,000. HK$578,000 has been impaired while the remaining contractual amount is expected to be collected.

Since its acquisition, JXN contributed revenue of HK$9,090,000 and net profit of HK$36,000 to the Group. Had the combination taken place on 1 January 2013, the revenue and the profit before income tax of the Group for the year ended 31 December 2013 would have been HK$331,682,000 and HK$12,211,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor intended to be a projection of future performance.

The acquisition-related costs expensed in the acquisitions were not material, and they had been expensed and were included in administrative expenses.

The promissory notes denominated in RMB of approximately RMB30,000,000 (equivalent to HK$37,920,000) (Note 40(c)) carry interest at a rate of 0.5% per annum and repayable on or before 15 March 2014, and the promissory notes had been fully settled on 11 March 2014.

35. PROFIT/(LOSS) FOR THE YEAR

Of the consolidated profit attributable to the owners of the Company of HK$9,254,000 (2012: loss of HK$1,677,000), a loss of HK$5,387,000 (2012: HK$4,482,000) has been dealt with in the financial statements of the Company.

36. OUTSTANDING CLAIM — GROUP

The Group had received a letter dated 3 February 2014 in relation to intended common law claim lodged by a customer (the "Customer") retained by the Group for the damage to luffing jib of the tower crane at Singapore on 24 July 2013 in the course of a routine servicing of the crane by the Group. Although no formal legal action was taken by the Customer against the Group up to the date of these consolidated financial statements, the Group, after consulting its legal adviser, considered that a provision for the claim should be made in the consolidated financial statements for the year ended 31 December 2013. The Directors considered the Group had limited chance for not compensating the Customer under the claim and it was probable that the claim would be material. Based on the latest negotiation of the Group and the Customer, the maximum amount under the claim would be approximately S$540,000 (equivalent to HK$3,323,000). Since the amount can be reliably estimated and there would be significant impact on the Group's financial results, a full provision on the claim was made in the year.

In the opinion of the Directors, the Group may be liable to further administrative costs and disbursements of the Customer. As of the date of these consolidated financial statements, the Directors consider that the provision made regarding the potential outstanding amount of claim would be adequate.

NOTES TO THE FINANCIAL STATEMENTS

37. COMMITMENTS — GROUP AND COMPANY

(a) Operating lease commitment — Group as lessor

The Group had future aggregate minimum lease receipts in respect of plant and machinery owned by the Group under non-cancellable operating leases as follows:

	2013 **HK$'000**	2012 HK$'000
Within one year	**60,565**	53,180
In the second to fifth years, inclusive	**3,152**	3,770
	63,717	56,950

The Group had future aggregate minimum lease receipts in respect of plant and machinery subletted by the Group under non-cancellable operating leases as follows:

	2013 **HK$'000**	2012 HK$'000
Within one year	**4,714**	16,239
In the second to fifth years, inclusive	**–**	450
	4,714	16,689

The Group leases its plant and machinery under operating leases arrangements which run for an initial period of one to two years. All leases are on a fixed rental basis and do not include contingent rentals. The terms of leases generally require the lessee to pay security deposits.

The Company does not have any minimum lease receipts under non-cancellable operating leases.

NOTES TO THE FINANCIAL STATEMENTS

37. COMMITMENTS — GROUP AND COMPANY *(Continued)*

(b) Operating lease commitment — Group as lessee

The total future minimum lease payments of the Group in respect of plant and machinery, and properties under non-cancellable operating leases are as follows:

	2013 **HK$'000**	2012 HK$'000
Within one year	**2,614**	13,022
In the second to fifth years, inclusive	**2,454**	4,379
After five years	**627**	1,088
	5,695	18,489

The leases run for a period of one to two years. All rentals are fixed over the lease terms and do not include contingent rentals.

The Company does not have any significant operating lease commitments as lessee.

(c) Capital commitment

	2013 **HK$'000**	2012 HK$'000
Group		
Property, plant and equipment — plant and machinery		
Contracted but not provided for	**11,795**	1,109

The Company does not have any significant capital commitments.

NOTES TO THE FINANCIAL STATEMENTS

38. KEY MANAGEMENT PERSONNEL COMPENSATION — GROUP

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

	2013	2012
	HK$'000	HK$'000
Short-term employee benefits	**5,931**	2,991
Post employment benefit	**134**	65
	6,065	3,056

39. SIGNIFICANT NON-CASH TRANSACTIONS — GROUP

Additions to property, plant and equipment of approximately HK$47,744,000 (2012: HK$81,073,000) were financed by finance leases during the year ended 31 December 2013.

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY

The Group is exposed to a variety of financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and fair value risk), credit risk and liquidity risk. The Group is also exposed to equity price risk arising from its equity investments.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. It identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the board of directors.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(a) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has bank deposits, cash at bank balances, bank borrowings, trade payables and finance leases payables which bore interests at fixed and floating interest rates. Exposure to interest rate risk exists on those balances subject to floating interest rate when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary.

(i) Exposure

The following table details the interest rate profile of the Group's and the Company's financial instruments at the reporting date:

	Effective interest rate per annum		Carrying amount	
	2013	2012	**2013**	2012
	%	%	**HK$'000**	HK$'000
Group				
Variable rate instruments				
Financial assets				
Pledged bank deposits	**N/A**	0.3	**–**	3,514
Cash and cash equivalents	**0–0.5**	0–1.4	**67,244**	125,699
			67,244	129,213
Financial liabilities				
Bank borrowings	**4.5–5.3**	4.5–7.5	**29,281**	44,787
Finance lease payables	**3.2–5.8**	3.2–8.6	**46,924**	144,020
			76,205	188,807
Net exposure			**(8,961)**	(59,594)
Company				
Variable rate instruments				
Financial assets				
Cash and cash equivalents	**0–0.5**	0–1.4	**2,517**	96,581

The policies to manage interest rate risk have been followed by the Group and the Company consistently throughout the year.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(a) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

The following table illustrates the sensitivity of profit/(loss) after income tax for the year and accumulated losses to a reasonably possible change in interest rates of +1% (2012: +1%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and all other variables are held constant.

	2013 **HK$'000**	2012 HK$'000
Effect on profit/(loss) after income tax for the year and accumulated losses	**(90)**	650

A -1% (2012: -1%) change in interest rates would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

The Company has no significant interest rate risks.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business.

The Group continuously monitor defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties and customers.

The Group's management considers that all the above financial assets that are not impaired under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancement.

In respect of trade and other receivables and deposits, the Group is not exposed to any significant credit risk exposure to any single counterparty/customer or any group of counterparties/customers having similar characteristics. The credit risk for bank deposits and balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(c) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and it has operations in Hong Kong, Singapore, Vietnam, Macau and the PRC. Income and expenses of the Group are primarily denominated in HK$, S$, US$, VND and RMB. Thus, it is exposed to foreign currency risk from currency exposures.

The Group's sales are mainly denominated in HK$, S$, US$ and RMB while purchases are mainly denominated in HK$, S$, US$ and RMB. US$ is not the functional currency of the Group entities to which these transactions relate.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The policies to manage foreign currency risk have been followed by the Group consistently throughout the year and are considered to be effective.

Since HK$ are pegged to US$, there is no significant exposure expected on US$ transactions and balances arising in Hong Kong.

(i) Exposure

Foreign currency denominated financial assets and liabilities, translated into HK$ at the closing rates, are as follows:

	RMB HK$'000	USD HK$'000
2013		
Trade receivables	**–**	**1,208**
Cash and cash equivalents	**68,452**	**11,155**
Trade and bill payables	**–**	**691**
Promissory notes payable	**37,920**	**–**
2012		
Trade receivables	–	282
Cash and cash equivalents	–	1,510
Trade and bill payables	–	24,043

The Company has no significant foreign currency risks.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(c) Foreign currency risk *(Continued)*

(ii) Sensitivity analysis

The following table illustrates the sensitivity of the Group's profit/(loss) after income tax for the year and accumulated losses in regards to 1% (2012: 1%) appreciation in the Group's functional currencies against RMB for the year. These rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The Directors considered a reasonably possible change of 1% in EUR and US$ exchange rates on sensitively analysis would have insignificant impact on the Group's profit before tax and there would be no impact on the Group's equity.

The sensitivity analysis of the Group's exposure to foreign currency risk at reporting date has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	RMB HK$'000
2013	
Profit after income tax and accumulated losses	**305**
2012	
Loss after income tax and accumulated losses	–

A positive (negative) number above indicates an increase (a decrease) in profit for the year and a decrease (an increase) in accumulated losses where the functional currencies of the relevant group entities strengthen against the relevant foreign currencies. The same % depreciation in the Group's functional currencies against the respective foreign currencies would have the same magnitude on the Group's profit after income tax and retained earnings as shown above and equity but of opposite effect, on the basis that all variables remain constant.

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(d) Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contractual undiscounted payments, was as follows:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than one year HK$'000	More than one year HK$'000
2013					
Financial liabilities					
— Trade and bill payables	**66,387**	**66,387**	**–**	**66,387**	**–**
— Accruals and other payables	**73,912**	**73,912**	**38,561**	**–**	**35,351**
— Bank borrowings	**76,641**	**87,212**	**1,878**	**53,158**	**32,176**
— Bonds payable	**100,000**	**100,000**	**–**	**100,000**	**–**
— Promissory notes payable	**37,920**	**37,920**	**–**	**37,920**	**–**
— Finance lease payables	**160,099**	**172,970**	**–**	**55,875**	**117,095**
	514,959	**538,401**	**40,439**	**313,340**	**184,622**
2012					
Financial liabilities					
— Trade and bill payables	48,619	48,619	–	48,619	–
— Accruals and other payables	17,128	17,128	17,128	–	–
— Amount due to immediate holding company	5	5	5	–	–
— Bank borrowings	44,787	54,743	2,756	15,488	36,499
— Bonds payable	100,000	100,000	–	–	100,000
— Finance lease payables	144,020	169,459	–	57,954	111,505
	354,559	389,954	19,889	122,061	248,004

For term loans which contain a repayment on demand clause that can be exercised at the bank's sole discretion, the analysis above shows the cash outflows based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(d) Liquidity risk *(Continued)*

Taking into account the Group's financial position the Directors do not consider it probable that the bank will exercise its discretion to demand immediate repayment. The Directors believe that such term loans will be repaid in accordance with the scheduled payment dates set out in the loan agreements which are summarised in the table below:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than one year HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	More than five years HK$'000
31 December 2013	**76,641**	**87,302**	**–**	**54,142**	**3,887**	**8,710**	**20,563**
31 December 2012	44,787	55,339	–	16,868	5,461	9,852	23,158

The Company has no significant liquidity risks.

(e) Equity price risk

The Group is exposed to equity price risk on its financial assets at fair value through profit or loss. The Group's listed equity investments are listed on the Stock Exchange. Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the index and other industry indicators, as well as the Group's liquidity needs. Management monitors the price movements and takes appropriate actions when it is required, however, the Directors considered a reasonably possible change of 10% higher/lower in the prices of the respective equity instruments would have no material impact on the Group's profit before tax and there would be no impact on the Group's equity.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(f) Fair value

(i) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and bill payables, accruals and other payables, bank borrowings, bonds payable, finance lease payables, promissory notes payable.

The fair values of the Group's financial assets and liabilities were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of non-current liabilities were not disclosed because the carrying values were not materially different from the fair value.

(ii) Financial instruments measured at fair value

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(f) Fair value *(Continued)*

(ii) Financial instruments measured at fair value *(Continued)*

	Group			
	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
2013				
Financial assets at FVTPL				
— Listed equity investments	**1,038**	**–**	**–**	**1,038**
Available-for-sale investments				
— Listed equity investments	**2,846**	**–**	**–**	**2,846**
	3,884	**–**	**–**	**3,884**
2012				
Available-for-sale investment				
— Unlisted equity investment	–	–	580	580

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(g) Summary of financial assets and liabilities by category

The categories of financial assets and financial liabilities at the reporting dates are included are as follows:

	2013 **HK$'000**	2012 HK$'000
Group		
Financial assets		
Loans and receivables		
— Trade receivables	**83,009**	48,817
— Other receivables and deposits	**43,966**	3,528
— Pledged bank deposits	**–**	3,514
— Cash and cash equivalents	**149,100**	125,699
	276,075	181,558
Financial assets at FVTPL		
— Listed equity investments	**1,038**	–
Available-for-sale investments		
— Listed equity investments	**2,846**	–
— Unlisted equity investment	**–**	580
	279,959	182,138
Financial liabilities		
At amortised cost		
— Trade and bill payables	**66,387**	48,619
— Accruals and other payables	**73,912**	17,128
— Amount due to immediate holding company	**–**	5
— Bank borrowings	**76,641**	44,787
— Bonds payable	**100,000**	100,000
— Promissory notes payable	**37,920**	–
— Finance lease payables	**160,099**	144,020
	514,959	354,559

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT — GROUP AND COMPANY *(Continued)*

(g) Summary of financial assets and liabilities by category *(Continued)*

The categories of financial assets and financial liabilities at the reporting dates are included are as follows: (Continued)

	2013 **HK$'000**	2012 HK$'000
Company		
Financial assets		
Loans and receivables		
— Amounts due from subsidiaries	**21,046**	14
— Cash and cash equivalents	**70,849**	96,581
	91,895	96,595
Financial liabilities		
At amortised cost		
— Accruals	**881**	130
— Amount due to immediate holding company	**–**	4
— Amounts due to subsidiaries	**–**	173
	881	307

NOTES TO THE FINANCIAL STATEMENTS

41. CAPITAL 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, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns.

The Group monitors capital using a gearing ratio, which is net debts divided by total capital. Total debts are calculated as the sum of bank borrowings, bonds payable, promissory notes payable and finance lease payables as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

	2013 **HK$'000**	2012 HK$'000
Bank borrowings	**76,641**	44,787
Bonds payable	**100,000**	100,000
Promissory notes payable	**37,920**	–
Finance lease payables	**160,099**	144,020
Total debts	**374,660**	288,807
Total equity	**207,172**	198,030
Total debt to equity ratio	**1.8**	1.5

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below:

	Year ended 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Revenue	183,509	139,376	154,139	201,104	**290,972**
Cost of sales and services	(92,720)	(71,266)	(79,230)	(95,572)	**(155,717)**
Gross profit	90,789	68,110	74,909	105,532	**135,255**
Other income	2,288	27,896	5,033	7,646	**13,186**
Selling and distribution expenses	(2,085)	(3,626)	(2,316)	(4,833)	**(4,687)**
Administrative expenses	(26,200)	(43,291)	(41,899)	(53,449)	**(63,458)**
Operating expenses	(21,360)	(24,961)	(33,230)	(39,767)	**(45,813)**
Finance costs	(6,527)	(5,188)	(6,024)	(15,687)	**(22,987)**
Profit/(loss) before income tax	36,905	18,940	(3,527)	(558)	**11,496**
Income tax (expense)/credit	(8,414)	1,907	2,351	(1,399)	**(2,559)**
Profit/(loss) for the year	28,491	20,847	(1,176)	(1,957)	**8,937**
Other comprehensive income					
Item that will not be reclassified to profit or loss:					
Gain on revaluation of properties held for own use, net of tax	1,618	1,038	1,775	1,444	**1,226**
Items that may be reclassified subsequently to profit or loss:					
Loss on revaluation of available-for-sale investments	–	–	–	–	**(91)**
Exchange differences on translating foreign operations	4,454	6,789	(771)	4,813	**(930)**
Other comprehensive income for the year	6,072	7,827	1,004	6,257	**205**
Total comprehensive income for the year	34,563	28,674	(172)	4,300	**9,142**
Profit/(loss) for the year attributable to:					
Owners of the Company	28,517	20,971	(1,071)	(1,677)	**9,254**
Non-controlling interests	(26)	(124)	(105)	(280)	**(317)**
	28,491	20,847	(1,176)	(1,957)	**8,937**
Total comprehensive income attributable to:					
Owners of the Company	34,589	28,798	(67)	4,580	**9,459**
Non-controlling interests	(26)	(124)	(105)	(280)	**(317)**
	34,563	28,674	(172)	4,300	**9,142**

FIVE YEARS FINANCIAL SUMMARY

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2009	2010	2011	2012	**2013**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
TOTAL ASSETS	280,538	331,085	410,258	584,418	**774,151**
TOTAL LIABILITIES	(186,278)	(137,183)	(216,528)	(386,388)	**(566,979)**
NON-CONTROLLING INTERESTS	(1,516)	(1,392)	(1,287)	(1,007)	**(690)**
	92,744	192,510	192,443	197,023	**206,482**