Artel Group
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ARTEL SOLUTIONS GROUP HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Kan Che Kin, Billy Albert *(Chairman)*
Ms. Li Shu Han, Eleanor Stella
Mr. Li Kai Yien, Arthur Albert

Independent Non-Executive Directors

Mr. Li Siu Yui
Mr. Ip Woon Lai
Mr. Lee Kong Leong

AUDIT COMMITTEE

Mr. Li Siu Yui *(Chairman)*
Mr. Ip Woon Lai
Mr. Lee Kong Leong

REMUNERATION COMMITTEE

Mr. Li Siu Yui *(Chairman)*
Mr. Ip Woon Lai
Mr. Kan Che Kin, Billy Albert

NOMINATION COMMITTEE

Mr. Li Siu Yui *(Chairman)*
Mr. Ip Woon Lai
Mr. Kan Che Kin, Billy Albert

COMPANY SECRETARY

Ms. Ha Cheuk Man

INDEPENDENT AUDITORS

PKF

AUTHORISED REPRESENTATIVES

Mr. Kan Che Kin, Billy Albert
Ms. Ha Cheuk Man

PRINCIPAL BANKERS

UBS AG
Hang Seng Bank Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8/F, St. John's Building
33 Garden Road
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR

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

WEBSITE

artel.todayir.com

STOCK CODE

931

Chairman's Statement

On behalf of the board of directors (the "Directors") of Artel Solutions Group Holdings Limited (the "Company"), I now present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013.

BUSINESS REVIEW

During the year, there has been a slight increase in turnover to HK$24,831,000 (2012: HK$21,864,000) representing an increase of 13.57%. The increase mainly resulted from the improvement of performance of trading of securities. The income from trading of securities increase from HK$21,098,000 for the year ended 31 December 2012 to HK$23,991,000 for the year ended 31 December 2013.

For the segment of trading of securities, the Company's investment portfolio comprised exchange traded funds and stocks listed on the Stock Exchange of Hong Kong Limited in the energies and financial institutions sectors, during the year. The Company identified its investments based on the share price, the gain potential, the dividend yield and the future prospect of the investments. The gain on trading of equity securities listed in Hong Kong and dividend income from these equity securities were approximately HK$15,661,000 (2012: HK$19,100,000) and HK$8,330,000 (2012: HK$1,998,000) respectively. The Group has disposed all its securities held for investment purpose for the year ended 31 December 2013. The Group continues to seek attractive investment opportunities in the aim to derive dividend income and/or gain from trading of equity securities.

For the segment of properties investment, the Group holds three residential properties located in Kwu Tung, Central Mid-levels and Repulse Bay. During the year, only the residential property located in Central Mid-levels derived rental income while the other two residential properties located in Kwu Tung and Repulse Bay remained vacant. The Group continues to seek for tenants of the vacant properties for rental income purpose.

PROSPECTS

Looking forward, besides the existing businesses, the Company is engaging great effort in negotiations with government departments in various provinces in the Mainland China in relation to development of the liquefied natural gas (the "LNG") businesses in the People's Republic of China (the "PRC"). The Company plans to set up joint venture companies with independent third parties principally engaging in the LNG businesses in the PRC. The Company is continuing the negotiations with these parties but no final terms and conditions in relation thereto have been concluded up to now. Further announcement(s) will be made by the Company should there be any material progress in these negotiations.

On 27 March 2014, the Company entered into a strategic cooperation agreement (the "Agreement") with Ping An Securities Limited ("Ping An Securities") in relation to provision of integrated financial services for developing the LNG businesses in the PRC. The Agreement, subject to the premise of compliance with Chinese laws, regulations and policies, provides a framework by which Ping An Securities will work closely with the Company to provide an integrated financial services platform such as banking, insurance, financial leasing and other full range of integrated financial services to the Company for the development of the LNG businesses with a mega stated owned enterprise in the PRC.

Kan Che Kin, Billy Albert
Chairman
Hong Kong, 28 March 2014

Management Discussion and Analysis

FINANCIAL REVIEW

During the year, turnover of the Group increased slightly by 13.57% from approximately HK$21,864,000 to approximately HK$24,831,000. The increase in turnover mainly resulted from the increase in dividend income received from held for trading investments from approximately HK$1,998,000 to approximately HK$8,330,000 during the year.

For the segment of trading of securities, the Group has disposed all its securities held for investment purpose during the year. The gain on disposal on held for trading investments slightly decreased by 18.01% from approximately HK$19,100,000 for the year ended 31 December 2012 to approximately HK$15,661,000 for the year ended 31 December 2013. Dividend income from held for trading investments increased significantly by 3 times from approximately HK$1,998,000 for the year 31 December 2012 to approximately HK$8,330,000 for the year ended 31 December 2013. The dividend income comprised a bonus share issue amounting to approximately HK$4,644,000 from investment in an energy related company together with cash dividend of approximately HK$3,686,000 received from investments in that same energy related company and an exchange traded funds.

For the segment of investment properties, the Group holds three residential properties located in Kwu Tung (the "Kwu Tung Property"), Central Mid-levels (the "Central Property") and Repulse Bay (the "Repulse Bay Property") (collectively, the "Properties") during the year. Based on the independent valuation of the Properties, the values of the Properties remained unchanged as at 31 December 2013 while a valuation gain on the Properties of HK$3,900,000 was recognised for last year. The rental income increased slightly from HK$766,000, which was derived from the Kwu Tung Property and the Central Property for 7 months and 4 months respectively, to HK$840,000, which was solely derived from the Central Property for the whole year. The tenancy agreement of the Kwu Tung Property was expired on 7 August 2012 and the property remains vacant ever since. The Group continues to seek for tenants of the Kwu Tung Property and the Repulse Bay Property for rental income purpose.

In conclusion, the net result of the Group was similar to last year, which was approximately HK$20,600,000 for the year ended 31 December 2013 compared with approximately HK$20,071,000 for the year ended 31 December 2012.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group had total cash and bank balances of approximately HK$170 million as at 31 December 2013 (2012: approximately HK$167 million). There was no other short-term borrowing as at 31 December 2013 and 31 December 2012, no gearing ratio of the Group as at 31 December 2013 and 31 December 2012 was calculated. Net assets were approximately HK$255 million as at 31 December 2013 (2012: approximately HK$252 million).

The Group recorded total current asset value of approximately HK$171 million as at 31 December 2013 (2012: approximately HK$168 million) and total current liability value of approximately HK$1.5 million as at 31 December 2013 (2012: approximately HK$1.8 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was approximately 117.89 as at 31 December 2013 (2012: approximately 93.74).

FOREIGN EXCHANGE EXPOSURE

Transactions of the Group were mainly denominated in Hong Kong dollars. Save for a short-term borrowing (the "Borrowing") of approximately HK$70 million which was denominated in Japanese dollar, most of the Group's monetary assets and liabilities were denominated in Hong Kong dollar. The Group had entered into several foreign exchange contracts with a bank to reduce the foreign currency risk arising from the Borrowing during the year. The Borrowing was settled during the year. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate. No exposure to foreign exchange risk was expected for the year.

TREASURY POLICIES

The Borrowing was in Japanese dollar at a fixed interest rate and was settled during the year. The Group had entered into several foreign exchange contracts with a bank to reduce the foreign currency risk arising from the Borrowing during the year. Bank balances and cash held by the Group were denominated in Hong Kong dollars. The Group currently does not have a interest rate hedging policy. However, the management of the Group monitored interest rate exposure from time to time and will consider hedging significant interest rate exposure should the need arise.

PLEDGE OF ASSETS

As at 31 December 2013, the Properties of the Group were pledged to secure banking facilities granted to the Group. Details of the Group's pledged assets for the year ended 31 December 2013 are set out in note 15 to the consolidated financial statements.

SIGNIFICANT INVESTMENT

During the year, the Group acquired equity securities listed in Hong Kong of approximately HK$203 million and all equity securities had been disposed of as at 31 December 2013. Details of the performance of these listed securities are set out in Note 7 to the consolidated financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries or associated companies for the year ended 31 December 2013.

SEGMENTAL INFORMATION

Details of segmental information for the year ended 31 December 2013 are set out in note 7 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2013.

STAFF AND REMUNERATION POLICIES

As at 31 December 2013, the Group had 5 employees (2012: 5 employees). The Group's total staff costs amounted to approximately HK$1,799,000 (2012: HK$1,712,000) for the year ended 31 December 2013.

The Group remunerated its employees mainly based on the industry practice, individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group's performance as well as individual's performance. Other benefits include medical and retirement schemes.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "Audit Committee") include the review and supervision of the Group's financial reporting process and internal control. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2013 and was of the opinion that the audited consolidated financial statements of the Group have been properly prepared in accordance with the statutory requirements and applicable accounting standards.

The Audit Committee currently comprises three independent non-executive directors of the Company, namely Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Kan Che Kin, Billy Albert ("Mr. Kan")

Mr. Kan, aged 61, was appointed as an executive Director, the chairman and the chief executive officer of the Company in May 2013. Mr. Kan graduated from the University of East Anglia with a Bachelor of Science degree. Mr. Kan is an associate member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and Hong Kong Securities Institute. Mr. Kan had worked with Deloitte Touche Tohmatsu and KPMG and is equipped with extensive experience in accounting, taxation and corporate finance. In addition, Mr. Kan has over 20 years of experience in serving on the board of directors of financial institutions and listed companies in Hong Kong, including Security Pacific Finance Limited, Burlingame International Company Limited (now renamed Interchina Holdings Company Limited) (stock code: 202), Greater China Holdings Limited (stock code: 431) and Warderly International Holdings Limited (stock code: 607). Mr. Kan resigned as a director of Interchina Holdings Company Limited in September 2000 and of Greater China Holdings Limited in June 2004 and of Warderly International Holdings Limited in December 2013. Mr. Kan is also a director of several wholly-owned subsidiaries of the Company. Ms. Li Shu Han, Eleanor Stella is a niece of Mr. Kan, Mr. Li Kai Yien, Arthur Albert is a nephew of Mr. Kan.

Ms. Li Shu Han, Eleanor Stella ("Ms. Li")

Ms. Li, aged 44, was appointed as an executive Director in October 2007. She holds a Bachelor of Science Accounting degree from University of Southern California. Ms. Li was admitted as a member of American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants in 1995. She has extensive experience in accounting, corporate finance and corporate restructuring. Ms. Li is currently a director of Wealth Loyal Development Limited, a private company engaged in investment holding. Ms. Li is a niece of Mr. Kan and sister of Mr. Li Kai Yien, Arthur Albert.

Mr. Li Kai Yien, Arthur Albert ("Mr. Li")

Mr. Li, aged 41, was appointed as an executive Director in October 2007. Mr. Li graduated from University of Southern California with a Bachelor of Science degree in 1995. Mr. Li has been a Certified Public Accountant since 2001 and has more than 10 years' experience in accounting and securities dealing. Mr. Li is currently a dealer representative of Phillip Securities (HK) Ltd. Mr. Li is a nephew of Mr. Kan and brother of Ms. Li.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Siu Yui

Mr. Li Siu Yui, aged 43, was appointed as an independent non-executive Director in October 2007. He holds a Master's degree in Business Administration from University of Wales. He has over 10 years' experience in the area of investment. He was working in securities companies during the period from 1997 to 2002. He has been engaged as an investment manager in two private companies since 2002.

Mr. Ip Woon Lai ("Mr. Ip")

Mr. Ip, aged 43, was appointed as an independent non-executive Director in October 2007. Mr. Ip holds a Bachelor of Commerce in Accounting and Finance degree from University of New South Wales and was admitted as a certified practicing accountant of the Australian Society of Certified Practicing Accountants in 1998. He began his professional career with Arthur Andersen & Co. in Hong Kong in 1994. Mr. Ip has extensive corporate finance and investment banking experience and had worked for various international investment banks including Warburg Dillon Read and ING Bank N.V.. He had also worked in Hysan Development Company Limited where he served as deputy head of corporate finance from 2005 to 2006. After that, Mr. Ip has been working in private equity industry in the Greater China region.

Biographical Details of Directors and Senior Management

Mr. Lee Kong Leong ("Mr. Lee")

Mr. Lee, aged 49, was appointed as an independent non-executive Director in December 2006. Mr. Lee holds a Bachelor of Commerce in Accounting and Information Systems degree from the University of New South Wales. He began his professional career with Coopers & Lybrand in Malaysia in 1988. From 1989 to 1995, he held senior positions with PriceWaterhouseCoopers and C.P. Pokphand Ltd. in Hong Kong. He is a certified practicing accountant with the Australian Society of Certified Public Accountants and a member of the Hong Kong Institute of Certified Public Accountants. From 2001 to 2004, he was a director of Harbin Brewery Group Limited, a company listed on the Stock Exchange from 2002 to 2004.

SENIOR MANAGEMENT

Ms. Ha Cheuk Man ("Ms. Ha")

Ms. Ha, aged 33, was appointed as the company secretary of the Company in December 2013. Ms. Ha holds a Bachelor Degree of Business Administration (Hon) in Accounting from the Hong Kong Baptist University. She is a member of the Hong Kong Institute of Certified Public Accountants and has over 10 years of experience in the field of accounting, auditing, taxation and secretarial services.

Corporate Governance Report

CORPORATE GOVERNANCE CODE

Artel Solutions Group Holdings Limited (the "Company") is committed to maintaining a high standard of corporate governance. It believes that high standards of corporate governance provide a framework and solid foundation for the Company and its subsidiaries (collectively, the "Group") to manage business risks, enhance transparency, maintain high standards of accountability and protect interests of shareholders of the Company (the "Shareholders") and other stakeholders.

The Company has complied with the code provisions of the Corporate Governance Code during the year ended 31 December 2013 except for the following deviations:

1. Under the Code Provision A.2, the Company has not appointed any individual to take up the posts of the chief executive officer and chairman of the Company until the appointment of Mr. Kan Che Kin, Billy Albert ("Mr. Kan") as chief executive officer and chairman of the Company on 7 May 2013 and the daily operation and management of the Group were monitored by the directors as well as the senior management of the Group. The balance of power and authority was ensured by the operation of the board (the "Board") of directors (the "Directors") of the Company during that period.

2, Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate. The positions of chairman and chief executive officer of the Company have been held by Mr. Kan since 7 May 2013. The Board believes that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies. The Board has full confidence in Mr. Kan and believes that his dual roles will be beneficial to the Group.

3. Under the Code Provisions A.4.1 and A.4.2, non-executive Director should be appointed for a specific term and each Director should be subject to retirement by rotation at least once every three years. The existing independent non-executive Directors ("INEDs") are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association (the "Articles of Association") of the Company at least once every three years.

4. Under the Code Provision A.6.7, non-executive directors, including independent non-executive directors, should attend board, committee and general meetings. One of the INEDs, namely Mr. Lee Kong Leong was unable to attend the annual general meeting (the "AGM") of the Company held on 21 May 2013 as he had other business engagements. However, he subsequently requested the company secretary of the Company to report to him on the views of the Shareholders in the AGM. As such, the Board considers that the development of a balanced understanding of the views of Shareholders among the INEDs was ensured.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the year ended 31 December 2013.

BOARD OF DIRECTORS

The Board currently comprises six Directors, with three INEDs. The composition of the Board during the year is set out as follows:

Executive Directors

Mr. Kan *(Chairman)* (Note 1 and 2)
Mr. Li Kai Yien, Arthur Albert (Note 2)
Ms. Li Shu Han, Eleanor Stella (Note 2)

INEDs

Mr. Li Siu Yui
Mr. Ip Woon Lai
Mr. Lee Kong Leong

Note 1 Mr. Kan was appointed as executive Director, the chairman and the chief executive officer of the Company on 7 May 2013. As no resolution in respect of the appointment of Mr. Kan as executive Director has been proposed at the annual general meeting held on 21 May 2013, Mr. Kan ceased to be the executive Director, and accordingly the chairman and the chief executive officer of the Company from the close of the AGM on 21 May 2013. Mr. Kan was re-appointed as executive Director, the chairman and the chief executive officer of the Company on 22 May 2013.

Note 2 Ms. Li Shu Han, Eleanor Stella is the niece of Mr. Kan and sister of Mr. Li Kai Yien, Arthur Albert. Mr. Li Kai Yien, Arthur Albert is the nephew of Mr. Kan.

The Board is responsible for approving and monitoring the Group's strategies, policies and business plans, revaluating the performance of the Group and supervising the work of management. The management is responsible for the daily operations of the Group including the preparation of annual and interim accounts for Board approval before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and ensuring compliance in accordance with the relevant statutory requirements and rules and regulations.

Throughout the year and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules that requires every board of directors of a listed issuer must include at least three INEDs and at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise.

For a Director to be considered independent, the Board must determine that the Director does not have any direct or indirect material relationship with the Group. The Board follows the requirements set out in the Listing Rules to determine the independence of Directors. The Company has received from each of its INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all INEDs are independent.

The INEDs are not appointed for specific terms but are subject to retirement by rotation and re-election in accordance with the Articles of Association at least once every three years.

Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. According to the training records provided to the Company by the individual Directors, the Directors have read journals, regulatory updates and/or attended external seminars and programmes with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2013.

The Company has not appointed any individual to take up the post of chairman and chief executive officer of the Company before 7 May 2013.

The roles of the chairman and the chief executive officer were both held by Mr. Kan after his appointment on 7 May 2013. The Board believes that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies.

One INED, Mr. Lee Kong Leong was unable to attend the AGM as he had other business engagements. However, he subsequently requested the company secretary of the Company to report to him on the views of the Shareholders in the AGM. As such, the Board considers that the development of a balanced understanding of the views of Shareholders among the INEDs was ensured.

Corporate Governance Report

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") on 1 September 2013 which sets out the approach to achieve diversity on the Board. A summary of this policy together with the measureable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

Summary of the Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to age, experience, cultural and educational background, expertise, skills and know-how.

Monitoring and Reporting

The nomination committee of the Company (the "Nomination Committee") will review, as appropriate, to ensure the effectiveness of the Board Diversity Policy and monitor the implementation of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

A copy of the Board Diversity Policy has been published on the Stock Exchange's website for public information.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") consists of one executive Director and two independent non-executive Directors and its members during the year were:

Mr. Li Siu Yui *(Chairman)*
Mr. Ip Woon Lai
Mr. Kan (appointed on 16 May 2013, ceased on 21 May 2013 and re-appointed on 22 May 2013)
Mr. Li Kai Yien, Arthur Albert (resigned on 16 May 2013)

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies to all Directors and the senior management, to review and approve the management's proposals with reference to the Board's corporate goals and objectives, to determine the remuneration packages of individual executive Directors and senior management, including benefits-in-kind, pension rights and compensation payments, and to make recommendation to the Board on the remuneration of the non-executive Directors.

In developing remuneration policies and making recommendation as to the remuneration of the Directors and senior management, the Remuneration Committee takes into account the performance of the Group as well as individual Directors and senior management. The terms of reference of the remuneration committee, which described its authority and duties, are available on the Company's website.

No Directors can determine their own remuneration package. During the year, the Remuneration Committee held one meeting. Matters considered at the meeting included revision of the compensation payable to all Directors and senior management of the Group and recommendation to the Board on the Group's remuneration policy and structure.

Remuneration payable to senior management (excluding Directors) for the year ended 31 December 2013 is within the HK$1,000,000 to HK$1,500,000 band. Directors' emoluments comprise payments to the Directors by the Group in connection with the management of the affairs of the Group and other benefits. The amounts paid to each Director for the year ended 31 December 2013 are shown in note 9 to the consolidated financial statements.

AUDIT COMMITTEE

The Company's audit committee (the "Audit Committee") was formed to review and supervise the financial reporting process and internal control of the Company. The Audit Committee comprises solely the three independent non-executive Directors and both Mr. Ip Woon Lai and Mr. Lee Kong Leong possess the appropriate professional qualifications, business and financial experience and skills. The Audit Committee members during the year were:

Mr. Li Siu Yui *(Chairman)*
Mr. Lee Kong Leong
Mr. Ip Woon Lai

The Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's interim and annual results, to review the scope, extent and effectiveness of internal control of the Group, to review accounting policies and practices adopted by the Group, to engage independent legal or other advisers as it determine is necessary and to perform investigations.

The terms of reference of the audit committee, which described its authority and duties, are available on the Company's website.

During the year, the Audit Committee held two meetings. Matters considered at the meetings included revision of the Group's 2012 annual results, 2013 interim results, the fees for engaging the external auditors to provide the audit for the year 2012 and the interim review for the year 2013, the independence of the external auditors, the fees for non-audit services, the Company's financial control, internal control and risk management system.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") in October 2007. The Nomination Committee consists of one executive Director and two independent non-executive Directors and its members during the year were:

Mr. Li Siu Yui *(Chairman)*
Mr. Ip Woon Lai
Mr. Kan (appointed on 16 May 2013, ceased on 21 May 2013 and re-appointed on 22 May 2013)
Mr. Li Kai Yien, Arthur Albert (resigned on 16 May 2013)

The Nomination Committee has established formal procedures for the appointments of new Directors and re-nomination and re-election of Directors. In nominating candidates for appointment of Directors, the Nomination Committee will consider their necessary expertise and experience. The Nomination Committee held one meeting during the year. Matters considered at the meeting included revision of the structure, size and composition of the Board, qualifications for all Directors and senior management of the Group and independence of the independent non-executive Directors.

The terms of reference of the nomination committee, which described its authority and duties, are available on the Company's website.

Corporate Governance Report

DIRECTORS' ATTENDANCE AT BOARD, REMUNERATION COMMITTEE, NOMINATION COMMITTEE AND AUDIT COMMITTEE MEETINGS AND GENERAL MEETINGS

Directors	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Annual general meeting
	Attendance/Number of meetings held during the year				
Executive Directors					
Mr. Kan *(Chairman)* (appointed on 7 May 2013, ceased on 21 May 2013 and re-appointed on 22 May 2013)	8/8 (during appointment period)	N/A	N/A	N/A	1/1
Ms. Li Shu Han, Eleanor Stella	9/10	N/A	N/A	N/A	0/1
Mr. Li Kai Yien, Arthur Albert	10/10	N/A	1/1	1/1	1/1
Independent Non-executive Directors					
Mr. Li Siu Yui	9/10	2/2	1/1	1/1	1/1
Mr. Ip Woon Lai	9/10	2/2	1/1	1/1	1/1
Mr. Lee Kong Leong	8/10	2/2	1/1	1/1	0/1

AUDITOR'S REMUNERATION

The amount of auditor's remuneration for the year ended 31 December 2013 was HK$330,000. Messrs. PKF also provided non-audit services including taxation services to the Group for the year ended 31 December 2013. In considering the re-appointment of external auditors, the Audit Committee has taken into consideration their relationship with the Company and their independence in the provision of non-audit services. Based on the results of the review and after taking into account the opinion of the management of the Group, the Audit Committee recommended the Board to re-appoint Messrs. PKF as the external auditors of the Company for the year 2014, subject to approval by the Shareholders at the forthcoming annual general meeting to be held on 21 May 2014. There is no former partner of the existing firm auditing the accounts of the Company acting as a member of the Audit Committee within one year commencing on the date of his ceasing to be a partner of the firm. In addition, the Audit Committee is of the view that the auditor's independence is not affected by the non-audit services rendered.

INTERNAL CONTROL

During the year, the Board through the Audit Committee, has conducted a review of the effectiveness of the system of internal control of the Group to ensure that a sound internal control system is maintained and operated by the management in compliance with the agreed procedures and standards. The review has covered all material aspects of internal control including financial, operational and compliance controls and risk management functions of the Group.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the audited consolidated financial statements of the Group for the year ended 31 December 2013. The Directors ensure that the audited consolidated financial statements of the Group for the year ended 31 December 2013 have been properly prepared in accordance with the statutory requirements and applicable accounting standards.

A report of the independent auditors of the Group is set out on page 21 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

A Shareholders' communication policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. It will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at artel.todayir.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information and the Memorandum and Articles of Association of the Company are made available on the Company's website;

(iv) Annual general meeting and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management;

(v) the Company's share registrars' serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters;

(vi) Shareholders and the investment community may at any time make a request to the company secretary of the Company in writing for the Company's information to the extent such information is publicly available. The contacts details are set out in the "Company Information" section of the Company's website at artel.todayir.com; and

(vii) Publicly available news and information about the Company can also be sent to Shareholders who have subscribed to the service on the Company's website.

The Company's annual general meeting is a valuable forum for the Board to communicate directly with the Shareholders. Under Code Provision E.1.2, the chairman of the Board should attend the annual general meeting of the Company. The chairman of the Board had attended the AGM.

Mr. Li Siu Yui, the chairman of the Remuneration Committee, Audit Committee and Nomination Committee and the auditors of the Company had attended the AGM.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagements, one of the INEDs, Lee Kong Leong could not attend the AGM. However, he subsequently requested the company secretary of the Company to report to him on the views of the Shareholders in the AGM. As such, the Board considers that the development of a balanced understanding of the views of Shareholders among the INEDs was ensured.

The notice to Shareholders is to be sent in the case of an annual general meeting and any extraordinary general meeting at which the passing of a special resolution is to be considered not less than 21 clear days before the meeting. All other extraordinary general meetings may be called by not less than 14 clear days' notice. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The chairman of the meeting answers questions from Shareholders regarding voting by way of a poll. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Articles of Association, the Board shall, on the written requisition to the Board or the company secretary of the Company of the members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carrying the right of voting at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting of the Company for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition.

If the Board do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionst(s) shall convene the meeting 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.

Procedures for Putting forward Proposals at a General Meeting

There are no provisions under the Articles of Association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Procedures for Proposing a Person for Election as a Director

Shareholders may by ordinary resolution elect any individual ("Candidate") to be a Director. Candidate for election is proposed by separate resolutions put forward for Shareholders' consideration at general meetings.

According to Article 88 of the Articles of Association, any member who wishes to propose a Candidate (other than the member himself/herself) for election as a Director should observe the following nomination procedures:

1. Prepare a signed notice of intention to propose a Candidate for election. The notice has to be signed by a member other than the Candidate being proposed.

2. Obtain a notice signed by the Candidate stating his willingness to be elected.

3. Both notices, completed in accordance with Rules 13.51(2) of the Listing Rules, are to be submitted to the head office or the registration office at least 7 days before the dispatch of the notice of such general meeting.

4. Should the notice of the general meeting appointed for such election has been sent out, the period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and the last day to do so is 7 days before the date of such general meeting.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the company secretary of the Company whose contact details are set out in the "Company Information" section of the Company's website at artel.todayir.com.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

During the year, the Company has not made any changes to its Memorandum and Articles of Association. An updated version of the Memorandum and Articles of Association is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the Articles of Association for further details of their rights.

Report of the Directors

The board (the “Board”) of directors (the “Directors”) of Artel Solutions Group Holdings Limited (the ”Company”) presents the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the principal activities of the Group are properties investment and trading of securities. The principal activities of its subsidiaries are set out in note 28 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 22 of this annual report.

The Board have resolved to recommend a final dividend of HK0.3 cents per share (“Share”) of the Company in cash distributed from the share premium account of the Company for the year ended 31 December 2013 to shareholders whose names appear on the register of members of the Company on 30 May 2014. As at 31 December 2013, the Company’s share premium account was approximately HK$488,569,000. After the payment of the final dividend, assuming there are no other changes to the share premium account, the Company’s share premium account is expected to be reduced to approximately HK$462,510,000. No interim dividend was declared and paid during the year. Final dividend of HK$17,372,000 in respect of the previous financial year was approved and paid during the year as disclosed in note 13(b) to the consolidated financial statements.

The proposed final dividend is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting to be held on 21 May 2014. The final dividend will be paid on or about 17 June 2014.

The register of members of the Company will be closed from 28 May 2014 to 30 May 2014, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:00 p.m. on 27 May 2014.

SHARE CAPITAL

Details of share capital of the Company are set out in note 21(a) to the consolidated financial statements.

CONVERTIBLE NOTES

The Company issued the convertible notes (the “Convertible Notes”) in an aggregate principal amount of HK$358 million to Mr. Kan Che Kin, Billy Albert (“Mr. Kan”) on 13 February 2008. Details of the issue and movements in the Convertible Notes during the year are set out in note 22 to the consolidated financial statements.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 53 of the annual report.

PROPERTIES

Particulars of the properties of the Group are shown on page 54 of the annual report.

INVESTMENT PROPERTIES AND PLANT AND EQUIPMENT

Details of movements in investment properties and plant and equipment of the Group during the year are set out in notes 15 and 16 to the consolidated financial statements respectively.

SHARE OPTION SCHEME

The Company has not adopted any share option scheme as at 31 December 2013.

Report of the Directors

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:–
Mr. Kan *(Chairman)**
Ms. Li Shu Han, Eleanor Stella
Mr. Li Kai Yien, Arthur Albert

* Mr. Kan was appointed as executive Director, the chairman and the chief executive officer of the Company on 7 May 2013. As no resolution in respect of the appointment of Mr. Kan as executive Director has been proposed at the annual general meeting held on 21 May 2013, Mr. Kan ceased to be the executive Director, and accordingly the chairman and the chief executive officer of the Company from the close of the AGM on 21 May 2013. Mr. Kan was re-appointed as executive Director, the chairman and the chief executive officer of the Company on 22 May 2013.

Independent Non-Executive Directors:–
Mr. Li Siu Yui
Mr. Ip Woon Lai
Mr. Lee Kong Leong

In accordance with the provisions of the Company's articles of association (the "Articles of Association"), Mr. Li Siu Yui, Mr. Li Kai Yien, Arthur Albert and Mr. Kan will retire at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election.

The Company has not entered into any service agreement with the Directors.

Each of the independent non-executive Directors was appointed in accordance with the Articles of Association.

None of the Directors being proposed for re-election at the forthcoming AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the three independent non-executive Directors an annual confirmation of his independence as required under Rule 3.13 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and considers all the independent non-executive directors are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO) or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:–

Long positions

Name of Director	Name of company in which interests were held	Nature of interests	Number of Shares held	Approximate percentage of shareholding
Mr. Kan	The Company	Beneficial owner	8,596,950,718 Shares *(Note 1)*	98.97%
Mr. Li Kai Yien, Arthur Albert	The Company	Beneficial owner	3,000,000 Shares	0.03%
Ms. Li Shu Han, Eleanor Stella	The Company	Beneficial owner	2,000,000 Shares	0.02%
Mr. Ip Woon Lai	The Company	Beneficial owner	1,000,000 Shares	0.01%

Notes:–

1. These Shares represent: (i) 6,006,277,143 Shares held by Mr. Kan as beneficial owner; and (ii) 2,590,673,575 Shares to be allotted and issued to Mr. Kan upon the exercise in full of the conversion rights attaching to the outstanding Convertible Notes.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2013.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, so far as was known to the Directors and chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions

Name of shareholders	Number of Shares held	Approximate percentage of the Issue share capital of the Company
Mrs. Kan Kung Chuen Lai	8,596,950,718 Share *(Note 1)*	98.97%

Note:

1. Mrs. Kan Kung Chuen Lai is the spouse of Mr. Kan. Therefore, she is deemed to be interested in the Shares held by Mr. Kan pursuant to the SFO.

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 December 2013.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the Convertible Notes as set out in note 22 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executives of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for securities of the Company or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the Convertible Notes as set out in note 22 to the consolidated financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, nor had there been any contract of significance entered into between the Group and a controlling Shareholder of the Company during the year.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 9 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders of the Company as at 31 December 2013 and 2012 were as follows:–

	2013 HK$'000	2012 HK$'000
Share premium	**488,569**	505,941
Contributed surplus	**112,369**	112,369
Accumulated losses	**(573,702)**	(572,466)
Total	**27,236**	45,844

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium is available for paying distributions or dividends to shareholders of the Company subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. The Articles of Association provide that an ordinary resolution passed by the shareholders of the Company is required for any distribution out of the share premium account. In the opinion of the Directors, the reserves of the Company available for distribution comprise share premium, contributed surplus and accumulated losses.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company (the "Remuneration Committee") on the basis of their merit, qualifications and competence.

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

MAJOR CUSTOMER AND SUPPLIER

During the year, the Group has one lessee which accounted for less than 30% of its total turnover and the Group did not have any supplier. The Directors do not consider any one lessee to be influential to the Group.

None of the Directors, their respective associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in any of the lessee of the Group for the year ended 31 December 2013.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing shareholders.

Report of the Directors

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes maintained by the Group are set out in note 24 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors was interested in any business apart from the Group's business, which competed or was likely to compete either directly or indirectly with business of the Group during the year.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information publicly available to the Company, there was sufficient public float throughout the year ended 31 December 2013 and as at the latest practicable date prior to the issue of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 27 to the consolidated financial statements.

AUDITORS

Messrs. PKF will retire and a resolution to re-appoint Messrs. PKF as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Kan Che Kin, Billy Albert
Chairman

Hong Kong
28 March 2014

Independent Auditor's Report

To the Members of
Artel Solutions Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Artel Solutions Group Holdings Limited and its subsidiaries (collectively, the "Group") set out on pages 22 to 52 which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

OPINION

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

PKF
Certified Public Accountants
Hong Kong
28 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Rental income	6	**840**	766
Dividend income from held for trading investments	6	**8,330**	1,998
Gain on disposal on held for trading investments	6	**15,661**	19,100
		24,831	21,864
Other operating income	8	**4,115**	736
Valuation gains on investment properties	15	**–**	3,900
Administrative expenses		**(6,076)**	(5,216)
Finance cost	10	**(396)**	–
Profit before taxation	11	**22,474**	21,284
Taxation	12	**(1,874)**	(1,213)
Profit and other comprehensive income for the year attributable to equity shareholders of the Company	30(b)	**20,600**	20,071
Earnings per share (HK cents)	14		
– Basic		**0.24**	0.26
– Diluted		**0.18**	0.20

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Investment properties	15	**84,878**	84,800
Plant and equipment	16	**480**	702
Deferred tax asset	20	**21**	11
		85,379	85,513
Current assets			
Prepayments and deposits	17	**986**	894
Bank balances and cash	18	**170,186**	167,177
		171,172	168,071
Current liabilities			
Accrued charges and other payables	19	**461**	448
Income tax payable		**991**	1,345
		1,452	1,793
Net current assets		**169,720**	166,278
Total assets less current liabilities		**255,099**	251,791
Non-current liability			
Deferred tax liability	20	**144**	64
Net assets		**254,955**	251,727
Capital and reserves			
Share capital	21(a)	**86,863**	86,863
Reserves		**168,092**	164,864
Shareholders' funds		**254,955**	251,727

The consolidated financial statements set out on pages 22 to 52 were approved and authorised for issue by the Board of Directors on 28 March 2014 and are signed on its behalf by:–

Kan Che Kin, Billy Albert
Director

Li Kai Yien, Arthur Albert
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Convertible notes reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1January 2012	70,541	466,939	9,370	163,000	(415)	(470,103)	239,332
Conversion of convertible notes (note 22)	16,322	46,678	–	(63,000)	–	–	–
Interim dividend (note 13)	–	(7,676)	–	–	–	–	(7,676)
Total comprehensive income for the year	–	–	–	–	–	20,071	20,071
At 31 December 2012 and 1 January 2013	86,863	505,941	9,370	100,000	(415)	(450,032)	251,727
2012 final dividend declared and paid (note 13)	–	(17,372)	–	–	–	–	(17,372)
Total comprehensive income for the year	–	–	–	–	–	20,600	20,600
At 31 December 2013	**86,863**	**488,569**	**9,370**	**100,000**	**(415)**	**(429,432)**	**254,955**

The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition under the group reorganisation.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	22,474	21,284
Adjustments for:–		
Interest income on bank deposits	(227)	(676)
Valuation gains on investment properties	–	(3,900)
Interest on secured bank loan	396	–
Depreciation	225	193
Exchange difference arising from repayment of bank loan	(3,993)	–
Operating cash flows before movements in working capital	18,875	16,901
Decrease in held for trading investment	–	68,132
Increase in prepayments and deposits	(92)	(4)
Increase/(decrease) in accrued charges and other payables	13	(41)
Cash from operations	18,796	84,988
Income tax paid	(2,158)	(14)
NET CASH FROM OPERATING ACTIVITIES	16,638	84,974
INVESTING ACTIVITIES		
Purchase of investment properties	(78)	(2,089)
Purchase of plant and equipment	(3)	(333)
Interest received	227	676
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	146	(1,746)
FINANCING ACTIVITIES		
Dividend paid	(17,372)	(7,676)
Interest paid	(396)	–
Proceeds from bank loan	68,948	–
Repayment of bank loan	(64,955)	–
NET CASH USED IN FINANCING ACTIVITIES	(13,775)	(7,676)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,009	75,552
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	167,177	91,625
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	170,186	167,177

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION

Artel Solutions Group Holding Limited (the "Company" together with its subsidiaries, the "Group") was incorporated in the Cayman Islands on 5 December 2000 as an exempted company with limited liability under the Companies Law (2001 Second Revision) Chapter 22 of the Cayman Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 October 2001.

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

The Company is an investment holding company and the principal activities of the Group are properties investment and trading of securities.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as "Hong Kong Financial Reporting Standards").

In addition, the consolidated financial statements include applicable disclosures required by the Rules (the "Listing Rules") governing the Listing Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

(b) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following Hong Kong Financial Reporting Standards:–

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

2. BASIS OF PREPARATION (continued)

(b) Initial application of Hong Kong Financial Reporting Standards (continued)

The initial application of these financial reporting standards does not necessitate material changes in the Group's accounting policies except the following:–

(i) HKFRS 10 "Consolidated Financial Statements" modifies the concept of "control" substantially. The Group's adoption of this new concept of control does not result in a change in the classification of investments in subsidiaries and other entities; and

(ii) HKFRS 13 "Fair Value Measurement" introduces a number of new concepts and principles regarding fair value measurement. The Group's adoption of these new concepts and principles does not result in a change in the fair value measurements of its assets and liabilities.

The initial application of these financial reporting standards does not necessitate retrospective adjustments of the comparatives presented in the consolidated financial statements.

(c) Hong Kong Financial Reporting Standards in issue but not yet effective

The following Hong Kong Financial Reporting Standards in issue at 31 December 2013 have not been applied in the preparation of the Group's financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2013:–

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

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 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 January 2016

The Group is in the process of making an assessment of what the impact of these standards, amendments and interpretations are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's result of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

Measurement basis

The consolidated financial statements are prepared using the historical cost basis as modified by the revaluation of investment properties.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Revenue recognition

Dividend income from held for trading investments is recognised when the right to receive payment is established.

Realised gains or losses from held for trading investments are recognised on a trade date basis whilst the unrealised gains or losses are recognised from valuation at the end of the reporting period.

Interest income is recognised as it accrues using the effective interest method.

Rental income under operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Leases

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant leases.

The Group as lessor

Rental income under operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in fair value of investment property are included in profit or loss for the period in which they arise.

Land held under operating leases is classified and accounted for as investment property when the rest definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Subsequent expenditure is capitalised 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 repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount 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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the year in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings costs

All borrowing costs are recognised as and included in finance costs in the consolidated statement of profit or loss and other comprehensive income in the period when they are incurred, except that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss include financial assets held for trading. A financial asset is classified as held for trading if:–

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

At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (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. At the end of each reporting period subsequent to initial recognition, loans and receivables, including deposits and bank balances, are carried at amortised cost using the effective interest rate method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company comprise share capital and convertible notes reserve.

The Group's financial liabilities, including accrued charges and other payables, are generally classified as other financial liabilities. Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash on hand.

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, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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 is remote. Possible obligations, whose existence 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 is remote.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's statement of financial position (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and 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. Such assets and liabilities are not recognised if the temporary differences arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to consolidated statement of profit or loss and other comprehensive income except when it relates to items charged or credited directly to equity, in which case the deferred tax is dealt with in equity.

Employee benefits

(i) Retirement benefits schemes

The retirement benefits costs charged to profit or loss represent the contributions payable in respect of the current year to the Group's defined contribution retirement benefits schemes for its employees.

(ii) Termination benefits

Termination benefits are recognised when and only when the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic probability of withdrawal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

A person or a close member of that person's family is related to the Group if that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a parent of the Group.

An entity is related to the Group if (i) the entity and the Group are members of the same group of companies; (ii) the entity is an associate or a joint venture of either the Group or a member of a group of which the Group is a member; (iii) the Group is an associate or a joint venture of either the entity or a member of a group of which the entity is a member; (iv) the entity and the Group are joint ventures of the same third party; (v) the entity is a joint venture of a third entity and the Group is an associate of that third entity; (vi) the Group is a joint venture of a third entity and the entity is an associate of that third entity; (vii) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; (viii) the entity is controlled or jointly controlled by a person related to the Group or a close member of that person's family; (ix) a person who has control or joint control over the Group has significant influence over the entity; or (x) a person who has control or joint control over the Group is a member of the key management personnel of the entity (or of a parent of the entity).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENT

In the process of applying the Group's accounting policies which are described in note 3 to the consolidated financial statements, management has made the following estimation uncertainty and judgement that has most significant effect on the amounts recognised in the consolidated financial statements.

Revaluation of investment properties

The fair value of the Group's investment properties at 31 December 2013 has been arrived at on the basis of a valuation carried out on that date by Roma Appraisals Ltd, an independent professional surveyor and property valuer not connected with the Group. Roma Appraisals Ltd is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant location. The valuations were arrived at by reference to comparable sales transactions as available in the relevant market.

Impairment of plant and equipment

Determining whether plant and equipment are impaired requires an estimation of the value in use of the cash generating units to which the plant and equipment have been allocated. The calculation of value in use requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENT (continued)

Income tax

At 31 December 2013, no deferred tax assets had been recognised in respect of temporary differences arising from tax losses of approximately HK$494,521,000 (2012: HK$494,521,000) and decelerated tax allowances of approximately HK$1,782,000 (2012: HK$1,702,000) due to the unpredictability of future taxable profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in future. In case where the actual future profit generated is more than expected, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition takes place.

5. FINANCIAL RISK MANAGEMENT

(a) Nature and extent of financial instrument risks

Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group manages credit risk by setting up credit control policy and periodic evaluation of credit performance of other parties, measured by the extent of past due or default and their financial healthiness.

As at 31 December 2013, the Group's maximum exposure to credit risk arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the debt-to-equity capital ratio as mentioned in note 21(b) to the consolidated financial statements.

The Group's amounts of contractual undiscounted obligations as at 31 December 2013 are as follows:–

	2013 **HK$'000**	2012 HK$'000
Accrued charges and other payables	**461**	448
Due for payment within one year or on demand	**461**	448

Currency risk

Currency risk is 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 considers hedging significant currency risk should the need arise.

During the year, the Group obtained a Japanese Yen denominated bank loan. Full repayment was made before the year end. Apart from the foregoing, the Group has minimal exposure to foreign currency risk as most of its business transactions, and recognised assets and liabilities are principally denominated in Hong Kong dollars.

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Nature and extent of financial instrument risks (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group manages interest rate risk, when it is considered significant, by entering into appropriate swap contracts.

The Group's exposure to interest rate risk arises from its bank balances. These bank balances bear interests at rates varied with the then prevailing marketing condition.

If the interest rate as at 31 December 2013 had been 10 basis point lower or higher with all other variables held constant, there would be no significant change to the profit for the year.

Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices. The Group manages market price risk, when it is considered significant, by maintaining a portfolio of investments with different risk and return profiles.

At 31 December 2013 and 2012, the Group did not have significant market price risk.

Financial instruments carried at other than fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. TURNOVER

Turnover represents the aggregate of the rental income from letting of investment properties, dividend income from held for trading investments and net realised gains or losses from trading of securities and, is analysed as follows:–

	2013 **HK$'000**	2012 HK$'000
Rental income	**840**	766
Dividend income from held for trading investments	**8,330**	1,998
Gain on disposal on held for trading investments	**15,661**	19,100
	24,831	21,864

7. SEGMENTS AND EQUITY-WIDE INFORMATION

Reportable segments

For management purposes, the Group is organised into two operating divisions (2012: two). These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:–

– Properties investment

– Trading of securities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:–

(1) Segment assets consist primarily of investment properties, and certain plant and equipment and mainly exclude item of deferred tax assets. Segment liabilities comprise operating liabilities and mainly exclude items such as income tax payable and deferred tax liabilities.

(2) Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

(3) Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

(4) Unallocated items comprises financial and corporate assets and corporate and financial expenses.

7. SEGMENTS AND EQUITY-WIDE INFORMATION (continued)

Reportable segments (continued)

The measure used for reporting segment result is "adjusted EBIT" i.e. adjusted earnings before interest and taxes. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as other head office or corporate administration costs.

Segment information about the aforementioned businesses is set out as follows:–

	Properties investment		Trading of securities		Consolidated	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
TURNOVER						
External	**840**	766	**23,991**	21,098	**24,831**	21,864
RESULT						
Segment result	**85**	4,046	**26,312**	20,309	**26,397**	24,355
Other operating income					**227**	676
Unallocated corporate expenses					**(4,150)**	(3,747)
Profit before taxation					**22,474**	21,284
Taxation					**(1,874)**	(1,213)
Profit for the year					**20,600**	20,071
Assets						
Segment assets	**85,391**	85,435	**–**	–	**85,391**	85,435
Unallocated corporate assets					**171,160**	168,149
Consolidated total assets					**256,551**	253,584
Liabilities						
Segment liabilities	**140**	140	**–**	–	**140**	140
Unallocated corporate liabilities					**1,456**	1,717
Consolidated total liabilities					**1,596**	1,857
Other information						
Interest on secured bank loan	**–**	–	**396**	–	**396**	–
Allocated capital additions	**81**	2,422	**–**	–	**81**	2,422
Allocated deprecation	**124**	41	**–**	–	**124**	41
Unallocated depreciation					**101**	152

7. SEGMENTS AND EQUITY-WIDE INFORMATION (continued)

Reportable segments (continued)

Entity-wide information

The Group's operations are substantially located in Hong Kong for both years. An analysis of the Group's geographical information is set out as follows:–

	2013 HK$'000	2012 HK$'000
Revenue by geographical location of its lessees:–		
Hong Kong	**840**	766

	2013 HK$'000	2012 HK$'000
Carrying amount of non-current assets analysed by geographical area in which the assets are located:–		
Hong Kong	**85,358**	85,502

During the year, the Group has one lessee (2012: two).

8. OTHER OPERATING INCOME

	2013 HK$'000	2012 HK$'000
Interest income on bank deposits	**227**	676
Exchange gain, net	**3,888**	–
Sundry income	**–**	60
	4,115	736

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(i) Directors' remuneration

The emoluments paid or payable to each of the six (2012: five) directors are as follows:–

		Other emoluments		
	Fees HK$'000	**Salaries and other benefits HK$'000**	**Pension costs HK$'000**	**Total emoluments HK$'000**
For the year ended 31 December 2013				
Executive directors:–				
Kan Che Kin, Billy Albert	**7**	**–**	**–**	**7**
Li Shu Han, Eleanor Stella	**10**	**–**	**–**	**10**
Li Kai Yien, Arthur Albert	**10**	**–**	**–**	**10**
Independent non-executive directors:–				
Li Siu Yui	**50**	**–**	**–**	**50**
Ip Woon Lai	**50**	**–**	**–**	**50**
Lee Kong Leong	**50**	**–**	**–**	**50**
	177	**–**	**–**	**177**

		Other emoluments		
	Fees HK$'000	Salaries and other benefits HK$'000	Pension costs HK$'000	Total emoluments HK$'000
For the year ended 31 December 2012				
Executive directors:–				
Li Shu Han, Eleanor Stella	10	–	–	10
Li Kai Yien, Arthur Albert	10	–	–	10
Independent non-executive directors:–				
Li Siu Yui	50	–	–	50
Ip Woon Lai	50	–	–	50
Lee Kong Leong	50	–	–	50
	170	–	–	170

Note:–

(a) At 31 December 2013, the remuneration payable to the directors was approximately HK$45,000 (2012: HK$43,000) which was included in accrued charges and other payables in note 19 to the consolidated financial statements.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(ii) Employees' emoluments

During the year, the five (2012: five) highest paid individuals included two directors (2012: two directors) receiving the same amount of emoluments, details of which are set out above in paragraph (i). The emoluments of the remaining three (2012: three) highest paid individuals are as follows:–

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**1,585**	1,506
Retirement benefits scheme contributions	**37**	36
	1,622	1,542

The number of employees whose remuneration fell within the following bands was:–

	2013	2012
Nil-HK$1,000,000	**2**	2
HK$1,000,001-1,500,000	**1**	1
	3	3

There was no arrangement under which a Director waived or agreed to waive any emoluments and no remuneration was paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FINANCE COST

	2013 HK$'000	2012 HK$'000
Interest expense on bank loan	**396**	–

11. PROFIT BEFORE TAXATION

	2013 HK$'000	2012 HK$'000
Profit before taxation has been arrived at after charging/(crediting):–		
Auditor's remuneration	**330**	320
Depreciation of plant and equipment	**225**	193
Operating lease rentals in respect of rented premises	**979**	743
Rental income less outgoings	**(573)**	(518)
Staff costs:–		
Directors' remuneration		
– fees	**177**	170
– other emoluments	**–**	–
	177	170
Staff costs excluding directors' remuneration	**1,585**	1,506
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration	**37**	36
	1,622	1,542
Total staff costs	**1,799**	1,712

12. TAXATION

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:–

	2013 HK$'000	2012 HK$'000
Current tax		
Provision for the year	**1,824**	1,357
Over provision in previous year	**(20)**	(9)
Deferred tax		
Charge/(credit) for the year-(Note 20)	**70**	(135)
	1,874	1,213

The provision for Hong Kong Profits Tax for the year is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year.

No provision for taxation has been made in respect of the Company's subsidiaries operating in other jurisdictions as they did not have assessable profits for both years.

12. TAXATION (continued)

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:–

	2013 HK$'000	2012 HK$'000
Profit before taxation	**22,474**	21,284
Tax at Hong Kong Profits Tax rate of 16.5% (2012: 16.5%)	**3,708**	3,512
Tax effect of non-deductible expenses	**226**	202
Tax effect of non-taxable income	**(2,053)**	(1,085)
Tax effect of deductible temporary differences not recognised	**13**	21
Utilisation of tax losses not previously recognised	**–**	(1,263)
Recognition of tax losses in previous year	**–**	(165)
Over provision in previous year	**(20)**	(9)
Taxation for the year	**1,874**	1,213

13. DIVIDEND

(a) Dividend payable to equity shareholders attributable to the reporting year:–

	2013 HK$'000	2012 HK$'000
Interim dividend declared and paid of HK$Nil per share (2012: HK0.1 cents per share)	**–**	7,676
Final dividend proposed after the end of the reporting period of HK0.3 cents per share (2012: HK0.2 cents per share)	**26,059**	17,372
	26,059	25,048

The proposed final dividend for the year ended 31 December 2013 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The final dividend proposed after the end of both reporting periods had not been recognised as a liability at the end of both reporting periods.

(b) Dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the reporting year:–

	2013 HK$'000	2012 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK0.2 cents per share (2012: HK$Nil per share)	**17,372**	–

14. EARNINGS PER SHARE

The calculation of the basic earnings per share of the Company (the "Share") attributable to equity shareholders of the Company for the year is based on the profit for the year of approximately HK$20,600,000 (2012: HK$20,071,000) and the weighted average number of 8,686,267,821 (2012: 7,688,646,145) Shares in issue.

The calculation of the diluted earnings per Share attributable to equity shareholders of the Company for the year is based on the profit for the year of approximately HK$20,600,000 (2012: HK$20,071,000) and the weighted average number of 8,686,267,821 (2012: 7,688,646,145) Shares in issue adjusted for potential diluted effect of 2,590,673,575 (2012: 2,590,673,575) Shares to be allotted and issued upon the exercise in full of the conversion rights attaching to the outstanding convertible notes (see note 22).

	2013 Number of shares	2012 Number of shares
Weighted average number of Shares		
Weighted average number of Shares (basic)	**8,686,267,821**	7,688,646,145
Effect of the exercise in full of the conversion rights attaching to the convertible notes	**2,590,673,575**	2,590,673,575
Weighted average number of Shares (diluted)	**11,276,941,396**	10,279,319,720

15. INVESTMENT PROPERTIES

	2013 HK$'000	2012 HK$'000
At 1 January	**84,800**	78,811
Additions	**78**	2,089
Fair value adjustment	**-**	3,900
At 31 December, at fair value	**84,878**	84,800

(a) As at 31 December 2013 and 2012, all of the Group's investment properties were located in Hong Kong and were built on land held under medium to long term leases.

	2013 HK$'000	2012 HK$'000
Medium-term leases	**63,228**	63,150
Long-term leases	**21,650**	21,650
	84,878	84,800

The Group's investment properties with total carrying value of approximately HK$84,878,000 as at 31 December 2013 were pledged to secure a banking facility of a subsidiary of the Company as disclosed in note 26 to the consolidated financial statements.

15. INVESTMENT PROPERTIES (continued)

(b) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:-

Level 1: Fair value measured using unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: Fair value measured using observable inputs and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3: Fair value measured using significant unobservable inputs.

	Fair value at 31 December	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3
Recurring fair value measurement				
Investment properties	84,878	–	–	84,878

During the year ended 31 December 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period.

The Group's investment properties were revalued by Roma Appraisals Limited, an independent professional valuer, at 31 December 2013. The valuations were carried out by qualified persons who are members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being held.

15. INVESTMENT PROPERTIES (continued)

(b) Fair value measurement of investment properties (continued)

(i) Fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 investment properties, measured at fair value using a valuation technique with significant unobservable inputs:–

	2013	2012
At 1 January 2013	**84,800**	78,811
Additions	**78**	2,089
Effect of property revaluation	**–**	3,900
At 31 December 2013	**84,878**	84,800
Unrealised gain or losses recognised in profit or loss relating to those assets held at the end of the reporting period	–	3,900

(ii) Information about Level 3 fair value measurements

	Valuation technique(s)	**Unobservable input(s)**	**Range**
Investment properties	Direct comparison approach	Premium (discount) on characteristic of the properties	5 % to 15%
	Investment approach	Market yields (reversionary yield)	2 % to 3%
		Market rental	HK$28 to HK$30 per square foot

The fair values of investment properties are determined using direct comparison approach to value these properties in their respective existing status and uses on the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence. The valuations take into account the characteristic of the properties which included the location, size, shape, view, floor level, year of completion and other factors collectively. Higher premium for properties with higher characteristic will result in a higher fair value measurement.

The fair values of investment properties are also determined using investment approach on the basis of capitalisation of net income with due allowance of outgoings and reversionary income potential. The fair value measurement is positively correlated to the market rental but inversely correlated to the market yields.

16. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Leasehold improvement HK$'000	Total HK$'000
COST			
At 1 January 2012	487	447	934
Additions	333	–	333
At 1 January 2013	820	447	1,267
Addition	3	–	3
At 31 December 2013	**823**	**447**	**1,270**
DEPRECIATION			
At 1 January 2012	101	271	372
Provided for the year	81	112	193
At 1 January 2013	182	383	565
Provided for the year	161	64	225
At 31 December 2013	**343**	**447**	**790**
CARRYING VALUES			
At 31 December 2013	**480**	**–**	**480**
At 31 December 2012	638	64	702

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

Furniture, fixtures and equipment	20%
Leasehold improvement	25%

17. PREPAYMENTS AND DEPOSITS

	2013	2012
	HK$'000	HK$'000
Prepayments and deposits	**986**	894

18. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturity of three months or less at prevailing interest rates.

19. ACCRUED CHARGES AND OTHER PAYABLES

	2013	2012
	HK$'000	HK$'000
Accrued charges and other payables	**461**	448

20. DEFERRED TAXATION

The following is deferred tax (assets)/liabilities recognised by the Group and movement thereon during the year are as follows:–

	Tax losses	**Accelerated depreciation allowances**	**Total**
	HK$'000	HK$'000	HK$'000
At 1.1.2012	–	188	188
(Credit)/charge for the year	(337)	202	(135)
At 31.12.2012 and 1.1.2013	(337)	390	53
(Credit)/charge for the year	(85)	155	70
At 31.12.2013	**(422)**	**545**	**123**

At the end of the reporting period, the Group had unused tax losses not recognised of approximately HK$494,521,000 (2012: HK$494,521,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group had deductible temporary differences not recognised of approximately HK$1,782,000 (2012: HK$1,702,000) arising from decelerated tax allowances. No deferred tax asset has been recognised in relation to these deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

20. DEFERRED TAXATION (continued)

Reconciliation to the deferred tax disclosed in the consolidated statement of financial position:–

	2013 HK$'000	2012 HK$'000
Net deferred tax asset recognised in the consolidated statement of financial position	(21)	(11)
Net deferred tax liability recognised in the consolidated statement of financial position	144	64
	123	53

21. SHARE CAPITAL

(a) Share capital

	2013 Number of shares	2013 Amount HK$'000	2012 Number of shares	2012 Amount HK$'000
Shares of HK$0.01 each				
Authorised:–				
At 1 January and 31 December	40,000,000,000	400,000	40,000,000,000	400,000
Issued and fully paid:–				
At 1 January	8,686,267,821	86,863	7,054,143,469	70,541
Conversion of convertible notes (Note 22)	–	–	1,632,124,352	16,322
At 31 December	8,686,267,821	86,863	8,686,267,821	86,863

(b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy, which is unchanged from the previous periods, is to maintain a reasonable proportion in total debts and equity capital. The Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debts over equity capital.

The only externally imposed capital requirement is that under the Listing Rules, the Company has to maintain the minimum public float requirement of which at least 25% of the issued Shares being held in public hands. Details of sufficiency of public float have been included in the paragraph headed "Sufficiency of Public Float" in the section headed "Report of the Directors" of this annual report.

22. CONVERTIBLE NOTES

On 15 January 2008, the Company and Mr. Kan Che Kin, Billy Albert ("Mr. Kan"), an executive Director and the substantial shareholder of the Company, entered into a subscription agreement (the "Subscription Agreement") pursuant to which the Company had conditionally agreed to issue and Mr. Kan had conditionally agreed to subscribe for the zero-coupon and non-redeemable convertible notes (the "Convertible Notes") of the Company in an aggregate principal amount of HK$358 million. The conversion price is HK$0.0386 per Share. Assuming that the conversion rights attached to the Convertible Notes are exercised in full at the conversion price of HK$0.0386 per Share, an aggregate of 9,274,611,398 Shares will be issued.

Completion of the Subscription Agreement took place on 13 February 2008 and the Convertible Notes were issued by the Company to Mr. Kan pursuant to the Subscription Agreement on the same date. The subscription price of the Convertible Notes of HK$358 million was satisfied in part of approximately HK$318 million by setting off the full amount of (i) the bank overdraft and borrowings of approximately HK$256 million and the debt of approximately HK$59 million due to a supplier which had been assigned to Mr. Kan; and (ii) the loan of approximately HK$3 million advanced by Mr. Kan, against such amount of the subscription price of the Convertible Notes on a dollar for dollar basis. The remaining balance of the subscription price of approximately HK$40 million was settled in cash, which was used as general working capital of the Group. The maturity date of the conversion rights attached to the Conversion Notes was 13 February 2013, being the date falling on the fifth anniversary from the date of issue of the Convertible Notes. As the compulsory conversion of the outstanding principal amount of the Convertible Notes on the maturity date rendered the then issued Shares held in the public hands being less than the minimum public float as required under the Listing Rules, the maturity date of the conversion rights attached to the Convertible Notes was renewed automatically for successive term of one year to 13 February 2014.

The outstanding principal amount of the Convertible Notes as at 1 January 2012 was HK$163,000,000. On 26 January 2012 and 12 December 2012, Mr. Kan exercised the conversion rights attaching to the Convertible Notes in relation to the conversion of an aggregate principal amount of HK$63,000,000 of the Convertible Notes and an aggregate of 1,632,124,352 Shares were allotted and issued to Mr. Kan. The outstanding principal amount of the Convertible Notes as at 31 December 2012 and 31 December 2013 was HK$100,000,000.

Pursuant to a resolution of the board of the Company passed on 13 February 2014, Mr. Kan and the Company agreed that the exercise of the balance of conversion rights attaching to the Convertible Notes of HK$100,000,000 will be extended to 31 March 2014, and an aggregate of 2,590,673,575 Shares will be allotted and issued to Mr. Kan on 31 March 2014.

23. OPERATING LEASE COMMITMENTS

The Group as leasees:–

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

	2013 **HK$'000**	2012 HK$'000
Within one year	**979**	979
In the second to fifth year inclusive	**457**	1,436
	1,436	2,415

Operating lease payments represent rentals payable by the Group for its office premises. The lease is negotiated for a term of 3 years (2012: 3 years) and guaranteed by Mr. Kan, and does not include contingent rentals.

23. OPERATING LEASE COMMITMENTS (continued)

The Group as lessor:–

At the end of the reporting period, the Group's future minimum lease payments under non-cancellable operating leases are receivable as follows:–

	2013 HK$'000	2012 HK$'000
Within one year	**560**	840
In the second to fifth year inclusive	**–**	560
	560	1,400

The lease is negotiated with a term of 2 years (2012: 2 years) with fixed monthly rental and does not include contingent rentals.

24. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution Mandatory Provident Fund Scheme under the Mandatory Provident Fund Scheme Ordinance for all qualifying employees in Hong Kong since December 2000. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group's employer contributions vest fully with employees when contributed into the scheme. The only obligation of the Group with respect of the retirement benefits scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of approximately HK$37,000 (2012: HK$36,000) represents contributions paid and payable to the scheme by the Group at rate specified in the rules of the scheme. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group. As at 31 December 2013 and 2012, no forfeited contributions were available to reduce the contributions payable in the future years.

25. RELATED PARTY TRANSACTIONS

(a) Apart from the information as disclosed in elsewhere in the consolidated financial statements, the Group did not have other material transactions with its related parties during both years.

(b) Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:–

	2013 HK$'000	2012 HK$'000
Short-term benefits	**1,297**	1,222
Post-employment benefits	**15**	14
	1,312	1,236

The remuneration of key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

These transactions do not fall within the definition of "connected transactions" in Chapter 14A of the Listing Rules.

26. BANKING FACILITIES

As at 31 December 2013, the banking facility of a subsidiary of the Company was secured by pledging the Group's investment properties with an aggregate carrying value of approximately HK$84,878,000 and corporate guarantee provided by the Company. Such banking facility of HK$70,000,000 was not utilised as at 31 December 2013. As at 31 December 2012, no banking facility was granted to the Group.

27. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(1) On 20 January 2014, Key Fit Group Limited ("Key Fit"), the wholly owned subsidiary of the Company and Mr. Kan entered into a sale and purchase agreement pursuant to which Mr. Kan agreed to sell and Key Fit agreed to purchase 152,050,000 shares ("Warderly Shares") of Warderly International Holdings Limited ("Warderly") at a total consideration of HK$7,602,500 (or HK$0.05 per Warderly Share) and convertible bonds in the principal amount of HK$80,000,000 Warderly Shares at a total consideration of HK$80,000,000 (the "Acquisition").

The fair value of the acquired 152,050,000 Warderly Shares was approximately HK$60,060,000 at a market price of HK$0.395 per Warderly Share as at 20 January 2014. The fair value of the acquired convertible bonds of Warderly, which was valued by Roma Appraisals Limited, an independent professional valuer, was approximately HK$139,179,000 as at 31 December 2013.

Warderly is a listed company on the Main Board of the Stock Exchange. It has undergone significant restructuring in 2013. Through its acquisition of Nanjing Fullshare Asset Management Limited, it is principally engaged in property development in the People's Republic of China.

The Acquisition is subject to the approval of the Company's shareholders other than Mr. Kan and his associates at an extraordinary general meeting to be held by the Company.

(2) On 27 March 2014, the Company entered into a strategic cooperation agreement (the "Agreement") with Ping An Securities Limited in relation to provision of integrated financial services for developing the liquefied natural gas ("LNG") businesses in the People's Republic of China (the "PRC"). Details of the Agreement are set out in the announcement of the Company on 27 March 2014.

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital/registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
ACE Vantage Investments Limited	Hong Kong	HK$1	100%	–	Property investment
Strong Mix Limited	Hong Kong	HK$1	100%	–	Property investment
Smart Look Limited	Hong Kong	HK$1	100%	–	Property investment
Key Fit Group Limited	Hong Kong	HK$1	100%	–	Trading of listed securities

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

30. FINANCIAL INFORMATION OF THE COMPANY

(a) The statement of financial position of the Company as at 31 December 2013 is as follows:–

	2013 HK$'000	2012 HK$'000
Non-current asset		
Investments in subsidiaries	–	–
Current assets		
Amounts due from subsidiaries	210,752	182,153
Prepayments	634	541
Bank balances	2,968	50,266
	214,354	232,960
Current liabilities		
Amounts due to subsidiaries	204	204
Accrued charges and other payables	51	49
	255	253
Net current assets	214,099	232,707
Net assets	214,099	232,707
Capital and reserves		
Share capital	86,863	86,863
Reserves	127,236	145,844
Shareholders' funds	214,099	232,707

(b) The consolidated profit attributable to the equity shareholders of the Company includes a loss of HK$1,236,000 (2012: HK$939,000) which has been dealt with in the financial statements of the Company.

Financial Summary

	For the year ended 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
RESULTS					
Turnover	(1,171)	17,789	2,751	21,864	**24,831**
(Loss)/profit before taxation	(4,219)	5,243	6,352	21,284	**22,474**
Taxation	–	–	(199)	(1,213)	**(1,874)**
(Loss)/profit for the year	(4,219)	5,243	6,153	20,071	**20,600**
(Loss)/earnings per share (HK cents) Basic	(0.11)	0.11	0.11	0.26	**0.24**

	At 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	38,431	246,936	240,020	253,584	**256,551**
Total liabilities	(13,600)	(13,713)	(688)	(1,857)	**(1,596)**
Shareholders' funds	24,831	233,223	239,332	251,727	**254,955**

Group's Properties

PROPERTIES HELD FOR INVESTMENT

Location	Existing use	Term of lease
Flat A, 10/F, Tower 2, Tregunter, No.14 Tregunter Path, Hong Kong with car parking space No. 59 on Level 7 of Tower 1 and 2	Residential	Medium
House H2, Ascot Park, 1 Kam Tsin Path, Kwun Tung, New Territories	Residential	Medium
Flat A, 1/F, Tower 3, No. 37 Repulse Bay Road, Hong Kong with car parking space No. 61 on Podium Level 4	Residential	Long