Zhongtian International Limited
中 天 國 際 控 股 有 限 公 司*

Incorporated in the Cayman Islands with limited liability
Stock Code: 02379

Annual Report 2013

* for identification purposes only

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
CHEN Jun *(Chairman)*
ZHAO Yun

INDEPENDENT NON-EXECUTIVE DIRECTORS
GUO Qiang
CHEN Wenping
LIU Jinlu

COMPANY SECRETARY
TAI Man Hin, Tony *(CPA)*

AUDIT COMMITTEE
CHEN Wenping *(Chairman)*
GUO Qiang
LIU Jinlu

REMUNERATION COMMITTEE
CHEN Wenping *(Chairman)*
CHEN Jun
GUO Qiang

NOMINATION COMMITTEE
CHEN Jun *(Chairman)*
CHEN Wenping
GUO Qiang

HONG KONG LEGAL ADVISORS
Loong & Yeung Solicitors

AUTHORISED REPRESENTATIVES
CHEN Jun
ZHAO Yun

STOCK CODE
02379

COMPANY'S WEBSITE
www.irasia.com/listco/hk/zhongtian

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Central, Hong Kong

AUDITOR
Crowe Horwath (HK) CPA Limited

PRINCIPAL BANKERS
China Construction Bank,
No.3 branch, Shinan District Qingdao
Hua Xia Bank
Nanjing Road Sub-branch
Qingdao
The Hongkong and Shanghai Banking Corporation Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

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

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Shinan District
Qingdao City
Shandong Province
The People's Republic of China ("PRC")

CHAIRMAN'S STATEMENT

We expect our future full of hope under the first gleam of light!

On behalf of the board (the "Board") of directors (the "Directors") of Zhongtian International Limited (the "Company") and its subsidiaries (collectively, the "Group"), I hereby present the annual results and the audited financial statements of the Group for the year ended 31 December 2013 (the "Year").

In the year of 2013, notwithstanding the strong appreciation of Renminbi, China's economy continued in its long-term growing trend. However, with the strict control policy on economy continued to be in force in Mainland China, certain relevant industries like the real estate market remained adversely affected.

During the Year, the Group's major business was the development and sale of intelligent control system in respect of building construction and electronic products, which realized annual revenue of approximately RMB8,526,000 and generated less turnover and profits as compared with 2012. This business has continued to be the major income source of the Group. It is expected that the Group would carry on developing this domain in future in order to generate larger revenue.

During the Year, the local commercial property rental business remained at a satisfactory level. Leasing of commercial properties of the Group went on and generated a rental revenue of approximately RMB1,176,000 for the Year, which became another stable income source of the Group and stayed level with that of 2013. Such income source was a stable one with a promising future under the prosperous local business condition, to which the Group attached great importance.

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During the Year, the Group has considered developing and investing in other business domains and proactively undertook flexibility assessment and relevant negotiations.

Reviewing the performance achieved by the Group in the Year, the Board remained confident of and optimistic about the future prospect of the Group amid the ever-changing economic condition in the world and in China. For the Year, the Group had constructive advancements in corporate governance, business development and staff nurturing. We expect our future full of hope under the first gleam of light. It is believed under the operation of the Board, which shows great foresight, the Group will definitely be able to offer an enthusiastic prospect!

Zhongtian International Limited
Chen Jun
Chairman

25 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the Year, the Group was principally engaged in the information technology and property investment business segments.

Information Technology

Taking the advantage of the Group's self-owned technology, the development and sale of intelligent electronic products became a business with fewer obstructions in the course of the transition of the Group's operation to a diversified operation. This development and sale, to which the Group attached great importance, provided a stable income and profit, and has stable demands from customers.

Meanwhile, as the competition in this business segment has been keen and the overall cost for exploring new customers has been relatively high, the Group paid efforts in precluding this segment from becoming the only income source of the Group.

Property Investment

After the renovation of its investment properties in the year of 2010, the Group commenced to lease its commercial properties to generate rental revenue, and there was a comparatively stable revenue generated from the property investment segment in 2013. Taking into account the improvements in local investment environment and the favorable conditions in the local commercial property market, the Board will continue to pay attention to the development of this segment and to identify and seek suitable opportunities for further investments.

FINANCIAL REVIEW

Turnover and Gross Profit

The Group's total turnover for the Year was approximately RMB9,702,000 (2012: approximately RMB23,995,000), representing a decrease of approximately 59.6% compared to the year of 2012. This was mainly due to the drop in sales of intelligent electronic products. The gross profit decreased by approximately 33.9% to approximately RMB1,610,000 in 2013 from approximately RMB2,437,000 in 2012, mainly due to by the decrease in sales of intelligent electronic products.

Selling and Distribution Costs

During the Year, the Group postponed all the marketing activities due to the lack of large-scale tender projects. There was no distribution cost in 2013 (2012: Nil).

General and Administrative Expenses

The Group's administrative expenses for the Year were approximately RMB4,064,000 (2012: approximately RMB5,082,000), representing a decrease of approximately 20.0% as compared to the year of 2012. This was mainly attributable to the decrease in Directors' remuneration during 2013 as compared to the year of 2012.

Net Loss

During the Year, the Group recorded a net loss of approximately RMB1,710,000, which was decreased by approximately RMB5,666,000 as compared to the net loss of approximately RMB7,376,000 for the year of 2012. The decrease in net loss was mainly due to that the loss-making equity investment business segment has discontinued to operate in the year of 2013 as compared in the year of 2012. Basic loss per share in the year of 2013 was RMB0.8 cents as compared with basic loss per share in the year of 2012 of RMB3.4 cents.

BUSINESS REVIEW

Analysis by Business Segment

During the Year, the Group's principal source of income was derived from the sale of intelligent electronic products from the information technology segment, which accounted for 87.9% of the total turnover of the Group. Property segment accounted for the remaining 12.1%.

During the Year, all of the Group's income was derived from the Shandong Province, the PRC, accounted for 100% of the Group's total turnover.

FUTURE OUTLOOK

The sale of intelligent electronic components in the information technology business has been expanding for several years and showed a continuous growth in sales revenue and profit, which is expected to be a major income source with stable growth for the Group. Commercial properties of the Group commenced to generate rental revenue after renovation and became another stable income source for the Group.

Besides, the Group is now actively researching, identifying and exploring in other business domains with great potential for growth in order to achieve a diversification of income source of the Group in the future.

DEBTS

As at 31 December 2013, the Group had no debt securities that were issued, outstanding, approved or otherwise created but unissued, or term loans or other borrowings or debts of borrowing nature, including bank overdrafts, acceptance liabilities or acceptance credits, obligations under financing lease, mortgages or charges (31 December 2012: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's capital requirement represents mainly working capital in relation to the sale of intelligent electronic products and related costs of business. The Group financed its operation and investment from internal resources.

As at 31 December 2013, the Group had cash and bank balances of approximately RMB50,319,000 (31 December 2012: approximately RMB26,418,000), about 99.7% and 0.3% of which were held in RMB and HK$ respectively. The gearing ratio (defined as total interest-bearing debts divided by shareholder's equity) was 0% (31 December 2012: 0%).

During the Year, the Group did not employ any material financial instrument for hedging purposes.

FOREIGN EXCHANGE

Since most of the revenue generated from the sale of products by the Group and the payment for purchases of materials, components and equipment are in RMB, the Directors believe that the Group will have sufficient funds to meet its foreign exchange requirements. The Group did not experience any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and did not adopt any currency hedging policy or other hedging instruments during the Year.

SUBSTANTIAL ACQUISITION AND DISPOSAL

During the Year, there was no material acquisition and disposal of subsidiaries and associated companies by the Group.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2013, no assets of the Group were under pledge. As at 31 December 2012, leasehold land and buildings and investment properties with carrying amounts of approximately RMB20,341,000 and approximately RMB22,250,000, respectively, were pledged as security to a bank for banking facilities not exceeding RMB18,000,000 granted to an independent third party supplier of the Group in consideration of which the Group was not required to pay for purchase deposit for the same amount under the goods purchase contract dated 25 October 2011. The pledge was released upon cancellation of the purchase contract.

Apart from the above, the Group had no other material pledge of assets and contingent liabilities as at 31 December 2013 (31 December 2012: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group had 9 employees (31 December 2012: 7 employees). Most of the Group's employees were based in the head office of the Group in Qingdao City of Shandong Province, the PRC.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from social insurance and in-house training programmes, discretionary bonuses and share options may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the Year was approximately RMB570,000 (31 December 2012: approximately RMB1,274,000).

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2013 (2012: Nil).

REPORT OF THE DIRECTORS

The Board presents their report together with the audited financial statements of the Company and the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 18 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income. The Board does not recommend the payment of any dividend for the Year.

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the Year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements during the Year in the share capital of the Company are set out in note 23 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 34.

As at 31 December 2013, the Company had reserves available for distribution to shareholders of approximately RMB81,616,000 (2012: RMB82,900,000).

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for last five financial years is set out on page 98 of this annual report.

DIRECTORS

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

Executive Directors

Mr. Chen Jun
Mr. Zhao Yun

Independent non-executive Directors

Mr. Chen Wenping
Mr. Liu Jinlu
Mr. Guo Qiang

Each of Mr. Chen Jun and Mr. Zhao Yun will retire from office as Directors at the forthcoming annual general meeting of the Company.

Mr. Chen Jun and Mr. Zhao Yun, being eligible, offer themselves for re-election pursuant to Article 87 of the Articles of Association of the Company (the "Articles").

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service contract on 6 March 2014 with the Company for a term of one year unless terminated by not less than three months' notice in writing served by either party on the other.

All the independent non-executive Directors namely, Mr. GUO Qiang, Mr. Chen Wenping and Mr. Liu Jinlu have respectively entered into a service contract with the Company for a term of one year commencing on 23 May 2013 and ending at the conclusion of the forthcoming annual general meeting of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Directors

Executive Directors

CHEN Jun（陳軍）, chairman of the Board, aged 41, is a director of Success Advantage Limited（成益有限公司）, Great Miracle Holdings Limited（精英控股有限公司）, Shan Dong Travel Service Holdings Limited（山東旅遊控股有限公司）, Qingdao Hai Yi Commercial Management Co., Ltd.（青島海逸商業管理有限公司）, Boxing Group Limited（寶勝集團有限公司）, Hongkong Zhongtian Mining Limited（香港中天礦業有限公司）and 青島海逸投資諮詢有限公司 (Qingdao Hai Yi Investment and Consultancy Co., Ltd.), all are wholly owned subsidiaries of the Company.

Mr. Chen was graduated from 中國人民解放軍海軍潛艇學院 (The People's Republic of China's Marine and Submarine College). Mr. Chen is also the visiting professor and instructor of Master students of Qingdao Technological University（青島理工大學）, School of Civil Engineering. Mr. Chen has over 14 years of experience in corporate planning and management. Mr. Chen was appointed as an executive Director on 6 March 2007. Mr. Chen is a director and the sole beneficial owner of the entire issued share capital of Fine Mean Investments Limited, being the controlling shareholder of the Company. For details, please refer to the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in this report.

ZHAO Yun（趙贇）, Chief Executive Officer of the Group, aged 41, is currently a director of Success Advantage Limited（成益有限公司）and New East Glory Limited（東耀有限公司）, both are wholly owned subsidiaries of the Company. Prior to joining the Group, Mr. Zhao was graduated from 南開大學 (Nankai University) and 中國人民解放軍海軍潛艇學院 (The People's Republic of China's Marine and Submarine College). Mr. Zhao has over 9 years of experience in corporate investment. Mr. Zhao was appointed as an executive Director on 6 March 2007.

Independent non-executive Directors

GUO Qiang（郭強）, aged 43, was graduated from Qingdao Polytechnic University（青島理工大學）with a bachelor's degree in computer science and technology. From 1996 to 2007, Mr. Guo was the chief editor of Chinese Printing Weekly of the Light Literature Journal（《通俗文藝報》書畫周刊）and the art director of Chinese Printing Page of Qingdao Economic Daily （《青島財經日報》書畫專版）of Qingdao Publishor（青島出版社）. He has been an art editor of Qingdao Wen Xue Press（青島文學雜誌社）since 2007. In 1999, Mr. Guo was elected as a committee member of Shandong Calligraphers Association（青島市書法家協會）and joined China Calligraphers Association（中國書法家協會）in 2000. In 2004, Mr. Guo was elected as the vice chairman of Shandong Youth Calligraphers Association（山東省青年書法家協會）and Qingdao Youth Calligraphers Association（青島市書法家協會）respectively. In 2009, Mr. Guo was elected as the chairman of Qingdao Youth Calligraphers Association（青島市青年書法家協會）. Mr. Guo was appointed as an independent non-executive Director since 8 April 2011.

CHEN Wenping（陳文平）, aged 41, is an independent non-executive Director and was graduated from The Shandong Academy of Economy（山東經濟學院）, majoring in finance in 1998 and was qualified as a PRC lawyer in 2001. Mr. Chen has extensive experience in accounting and financial management. He had worked for 山東匯德會計師事務所有限公司 (Shandong Huide Accounting Firm Co., Ltd.) for 3 years as a practicing accountant and valuer. He is currently the department head of the finance department of 青島高校軟控有限公司 (Qingdao Mesnac Co., Ltd.), which is a PRC listed company. Mr. Chen was appointed as an independent non-executive Director since 29 May 2007.

LIU Jinlu（劉金祿）, aged 52, is an independent non-executive Director and was graduated from The Beijing Sport University（北京體育大學）. Mr. Liu was the deputy head of 北京金鼎木製品廠 (Beijing Jinding Muzhipin Factory) from 1983 to 1998 and has been the general manager of 北京天頌三佳緣商貿中心 (Beijing Tiansong Sanjiayuan Commercial Centre) since 1998. Mr. Liu was appointed as an independent non-executive Director since 20 May 2010.

Saved as disclosed above, there are no relationships among the members of the Board.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the remuneration committee of the Company annually. Details of the Director's remuneration are set out in note 11 of the financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, interests or short positions in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and chief executive of the Company which have been 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 were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are as follows:

(A) Long position in the Shares

Name of Director	Capacity	Number of Shares held/interested	Approximate Shareholding Percentage
Mr. Chen Jun ("Mr. Chen")	Interest of a controlled corporation	108,042,781 (Note 1)	49.78% (Note 1)
	Beneficial owner	5,525,000 (Note 2)	2.55% (Note 2)
		113,567,781	52.33%

(B) Long position in shares of associated corporations

Name of Director	Name of the associated corporation	Capacity	Number of shares held	Approximate Shareholding Percentage
Mr. Chen	Fine Mean Investments Limited ("Fine Mean")	Beneficial owner	1	100%

Save as disclosed above, as at 31 December 2013, none of the Directors nor chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

(C) Interest in the Shares

Name of substantial shareholder	Capacity	Number of Shares held/interested	Approximate shareholding percentage
Fine Mean (Note 1)	Beneficial owner	108,042,781	49.78%
Ms. Su Haiqing (Notes 3)	Interest of spouse	113,567,781	52.33%

Notes:

1. Mr. Chen is the beneficial owner of 100% of the issued shares in Fine Mean, and therefore, Mr. Chen is deemed, or taken to be, interested in the Shares which were beneficially owned by Fine Mean for the purposes of the SFO.

2. The 5,525,000 Shares were personally held by Mr. Chen.

3. Ms. Su Haiqing is the spouse of Mr. Chen. Under the SFO, Ms. Su Haiqing is deemed, or taken to be, interested in all the 113,567,781 Shares in which Mr. Chen is interested.

Save as disclosed above, as at 31 December 2013, the Company had not been notified of any substantial Shareholders (other than a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares in the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" below, no Director during the Year had a beneficial interest, either direct or indirect, in any contract of significance (as defined in Appendix 16 to the Listing Rules) to which the Company, its holding company or any of its subsidiaries was a party at the balance sheet date or at any time during the Year.

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Option Scheme" below, at no time during the Year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the Group's purchases and turnover attributable to major suppliers and customers are as follows:

	2013	2012
	%	%
Percentage of purchases:		
From the largest supplier	**100%**	100%
From the five largest suppliers	**100%**	100%
Percentage of turnover:		
From the largest customer	**87.9%**	97.5%
From the five largest customers	**100%**	100%

None of the Directors, their associates or any Shareholders who owned more than 5% of the Company's share capital had any interest in the Group's five largest customers nor suppliers.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

As at 31 December 2013, the Directors were not aware of any business or interest of the Directors and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

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

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

SHARE OPTION SCHEME

As incentives and rewards to eligible persons for their contribution to the Group, the Group conditionally adopted a share option scheme (the "Scheme") on 27 July 2004 whereby the Directors are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Group (the "Shares") to, inter alia, any employees (full-time or part-time), Directors, consultants, customers, shareholders of and suppliers of goods and services to the Group. The Scheme shall be valid and effective for a period of ten years commencing on the date on which the Scheme becomes unconditional, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within 28 days from the day on which such offer was made. The amount payable by each grantee of options to the Group on acceptance of the offer for the grant of options is HK$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price at the discretion of the Directors, provided that it shall be at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Shares on the date of grant of the options.

The Group shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and any other share option scheme of the Group does not exceed 10% of the Shares in issue at the date when the Shares were first listed on the Stock Exchange. The Group may at any time refresh such limit, subject to in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group does not exceed 30% of the Shares in issue from time to time. No person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the shares in issue.

There was no outstanding share option during the Year. Details of the Scheme are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles and the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transactions

During the Year, the Group had not entered into any connected transaction which is not exempt under Rule 14A.31 of the Listing Rules.

Continuing connected transactions

The Group has entered into two leasing agreements with two associates of Mr. Chen Jun, an executive director and controlling shareholder of the Company (hence each a connected person), on 1 January 2013. Their respective terms are from 1 January 2013 to 31 December 2013. Accordingly, the leasing agreements constituted continuing connected transactions. Pursuant to the leasing agreements, a property and a vehicle would be leased to the Group for its business purpose. Both leasing agreements were exempt from the reporting, annual review, announcement and independent shareholders' approval requirements as they were on normal commercial terms where all of the applicable ratios were, in aggregate, on an annual basis, less than 5% and the annual consideration was less than HK$1,000,000. Further details of the rental agreements are disclosed under note 28(c) to the financial statement.

The Directors consider that those material related party transactions disclosed in note 28 to the financial statements did not fall or exempted under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied with all the code provisions as set out in the Code on Corporate Governance (the "Code") contained in Appendix 14 to the Listing Rules during the Year.

Code provision A.6.7 of the Code provides that the independent non-executive Directors and the non-executive Directors should attend the general meetings of the Company. Due to other commitments, the independent non-executive Directors, Mr. Chen Wenping, Mr. Guo Qiang and Mr. Liu Jinlu did not attend the annual general meeting of the Company held on 23 May 2013. All the Directors have given the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They will also endeavor to attend future general meetings and develop a balanced understanding of the views of shareholders.

The details of Group's compliance with the Code is set out in the Corporate Governance Report from page 18 to page 27 of this annual report.

ANNUAL GENERAL MEETING AND BOOK CLOSURE

The annual general meeting of the Company will be held on 20 May 2014 at 10:00 a.m. at Room 2707, Block A, Sunshine Building, No. 61 Hongkong-mid Road, Shinan District, Qingdao City, Shandong Province, the PRC.

The transfer books and Register of Members of the Company will be closed from 16 May 2014 to 20 May 2014, both days inclusive. During such period, no share transfers will be effected. In order to qualify for attending the annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 15 May 2014.

EVENTS AFTER REPORTING PERIOD

There are no significant events occurred after the reporting period.

AUDITOR

At the annual general meeting of the Company held on 23 May 2013, the shareholders of the Company had passed the resolution to appoint Crowe Horwath (HK) CPA Limited ("Crowe Horwath") as the new auditors of the Company to fill the vacancy arising from the retirement of CCIF CPA Limited and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

The consolidated financial statements of the Company for the year ended 31 December 2013 have been audited by Crowe Horwath. Crowe Horwath will retire as auditor at the conclusion of the forthcoming annual general meeting and will offer themselves for re-appointment. A resolution will be submitted to the forthcoming annual general meeting of the Company for the re-appointment of Crowe Horwath as auditor of the Company.

On behalf of the Board

Chen Jun
Chairman

Hong Kong, 25 March 2014

CORPORATE GOVERNANCE REPORT

The Group's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules. Save as disclosed in this Corporate Governance Report, the Company has complied with all the code provisions as set out in the Code.

Code provision A.6.7 provides that the independent non-executive Directors and the non-executive Directors should attend the general meetings of the Company. Due to other commitments, the independent non-executive Directors, Mr. Chen Wenping, Mr. Guo Qiang and Mr. Liu Jinlu did not attend the annual general meeting of the Company held on 23 May 2013. All the Directors have given the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They will also endeavor to attend future general meetings and develop a balanced understanding of the views of shareholders.

The Group commits to continuously improving its corporate governance practices by periodic review to ensure that the Group continues to meet the requirements of the Code.

The key corporate governance practices of the Group are summarised as follows:

BOARD OF DIRECTORS

Composition

The Board includes two executive Directors and three independent non-executive Directors.

Executive Directors

Chen Jun *(Chairman)*
Zhao Yun (Chief executive officer)

Independent Non-executive Directors

Mr. Chen Wenping
Mr. Liu Jinlu
Mr. Guo Qiang

CORPORATE GOVERNANCE REPORT

More than one-third of the Board is independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement. The independent non-executive Directors are expressly identified as such in all corporate communications that disclose the names of the Directors.

There is no financial, business, family or other material/relevant relationship among the members of the Board, in particular, between the Chairman of the Board and the Chief Executive Officer. All the independent non-executive Directors namely, Mr. Guo Qiang, Mr. Chen Wenping and Mr. Liu Jinlu have respectively entered into a service contract with the Company for a term of one year commencing on 23 May 2013 and ending at the conclusion of the forthcoming annual general meeting of the Company. The independent non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company (the "Articles").

At each annual general meeting, one-third of the Directors are required to retire from office. Each Director shall retire from office once every three years. The Directors to retire in every year shall be those appointed by the Board during the Year and those who have been longest in office since their last election or re-election. New Directors appointed by the Board during the Year shall retire and submit themselves for re-election at the annual general meeting immediately following their appointments.

Each of Mr. Chen Jun and Mr. Zhao Yun will retire from office as Directors at the forthcoming annual general meeting of the Company.

Mr. Chen Jun and Mr. Zhao Yun, being eligible, offer themselves for re-election pursuant to Article 87 of the Articles.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to the requirements of the Listing Rules. The Group considers all independent non-executive Directors to be independent in accordance with the Listing Rules.

Save as disclosed in the section headed "Directors' and Senior Management's Biographies" in this annual report, all members of the Board have no relationship with each others.

BOARD MEETINGS

The Board meets regularly. In addition to regular meetings, it meets as and when warranted by particular circumstances. During the Year, four Board meetings were held.

A record of the Directors' attendance at the Board meetings and general meeting(s) are set out as follows:

	Attendance/ Number of Board Meetings	Attendance/ Number of General Meetings
Executive Directors		
Chen Jun *(Chairman)*	4/4	1/1
Zhao Yun	4/4	1/1
Independent Non-executive Directors		
Chen Wenping	4/4	0/1
Liu Jinlu	4/4	0/1
Guo Qiang	4/4	0/1

Board responsibilities and delegation

The Board is responsible to the Shareholders for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the annual development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system and supervising and managing management's performance.

Regarding our Group's corporate governance, during the Year, the Board had performed the duties following:

- reviewed the policies and practices on corporate governance of the Group and made recommendations;
- reviewed and monitored the training and continuous professional development of Directors and senior management;
- reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements;

- reviewed and monitored the code of conduct applicable to Directors and employees; and
- reviewed the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

The Board delegates the day-to-day management, administration and operation of the Group to the management. The delegated functions are reviewed by the Board periodically to ensure they remain appropriate to the needs of the Group. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group by the management.

CHAIRMAN AND CHIEF EXECUTIVE

The Group understands that the role of the chairman of the Board and chief executive of the Company shall have clear division of responsibilities. The Group has appointed a separate chairman and chief executive officer of the Company since 2007. The two positions are assumed by different persons, in order to ensure that their independence, accountability and power are clear. Mr. Chen Jun, the Chairman, is responsible for the operation of the Board and the formulation of the Group's strategies and policies. Mr. Zhao Yun, the chief executive officer of the Company, with the assistance of other members of the Board and senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation. The chairman ensures that all Directors are properly briefed on issues arising at the Board meetings and receive adequate, complete and reliable information in a timely manner.

COMPANY SECRETARY

Mr. Tai Man Hin, Tony, CPA, an external service provider, has been engaged by the Company as its Company Secretary. His primary contact person at the Company is Mr. Zhao Yun, the executive Director of the Company. During the Year, Mr. Tai undertook not less than 15 hours of relevant professional training to update his skills and knowledge.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with such code of conduct during the Year.

DIRECTOR'S CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

All Directors are encouraged to and had confirmed that they had complied with the Coder Provision A.6.5 of the Code during the Year, that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged an in-house training on the Listing Rules and the Code for Directors in the form of a seminar with provision of training materials compiled by the legal adviser. All Directors (Mr. Chen Jun, Mr. Zhao Yun, Mr. Chen Wenping, Mr. Liu Jinlu and Mr. Guo Qiang) had attended the in-house training. The training covered disciplinary matters on breach of the Listing Rules and requirements on disclosure of insider information under the Listing Rules.

REMUNERATION COMMITTEE

The Company established a remuneration committee ("Remuneration Committee") on 25 April 2005. As at the date of this report, the Remuneration Committee comprised an executive director, namely Mr. Chen Jun, and two independent non-executive directors, namely Mr. Chen Wenping and Mr. Guo Qiang. Mr. Chen Wenping shall act as the chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the Code and are available on the Company and the Stock Exchange's websites.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Group's policy and structure for the remuneration of Directors, reviewing and making recommendations on their specific remuneration package by reference to market conditions, performance of the Group and corporate goals and objectives resolved by the Board from time to time. The Remuneration Committee held one meeting during the Year and all the members have attended to review the Group's remuneration policy and approved the terms of executive Directors' service contracts. During the Year, the Board as a whole has determined the remuneration policy and packages of the Directors. No individual Director was allowed to participate in the procedures for deciding his/her individual remuneration package.

A record of the members' attendance at the Remuneration Committee's meeting is set out as follows:

Members of Remuneration Committee	**Attendance/ Number of Meetings**
Chen Wenping *(Chairman)*	1/1
Chen Jun	1/1
Guo Qiang	1/1

The Remuneration Committee held one meeting during the Year and members of the Remuneration Committee had performed the following duties:

- consulted the chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors. The Remuneration Committee has access to independent professional advice if necessary;

- made recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- reviewed and approved the terms of executive Directors' service contracts;
- made recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- made recommendations to the Board on the remuneration of non-executive Directors; and
- considered salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries.

COMMUNICATION WITH SHAREHOLDERS

The Board and senior management recognise the responsibility of safeguarding the interest of shareholders of the Company and provide transparent and real-time information on the Company so as to keep the shareholders and investors abreast of the Company's position and help them to make the best investment decision. The Company believes that maintaining good and effective communication with shareholders can facilitate the shareholders' understanding of the business performance and strategies of the Group. The Board and senior management also recognise the responsibility of safeguarding the interest of shareholders of the Company. In order to safeguard the shareholders' interest, information of the Company and the Group are delivered to the Shareholders through a number of channels, which includes annual reports, interim reports, announcements and circulars. The latest information of the Company and the Group together with the published documents are also available on the Company's website.

The Company holds annual general meeting every year as an appropriate media for direct communication between the Board and shareholders. Shareholders can raise questions directly to the Board in respect of the business performance and future development of the Group at such annual general meetings.

SHAREHOLDER'S RIGHTS

Procedures for putting forward proposals at general meeting by shareholders

In accordance with the requirements under Article 58 of the Articles, extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 88 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The minimum length of the period, during which the notices required under the Articles will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Attention: Mr. Tony Tai
Zhongtian International Limited
21st Floor, Huaren International Mansion, No. 2 Shandong Road, Shinan District, Qingdao City, Shandong Province, PRC

Shareholders' enquiries and concerns are forwarded to the Board and/or relevant Board committees of the Company, where appropriate, to answer the Shareholders' questions.

INVESTOR RELATIONS

During the Year, the Company did not make any changes to the Memorandum and Articles of Association and the current version of which is available on the websites of the Stock Exchange and the Company.

INTERNAL CONTROL

The Board is committed to manage business risks and to maintain a proper and effective system of internal control to safeguard the Shareholders' investment and the Group's assets. The Board, through the audit committee of the Company (the "Audit Committee"), has conducted annual review of the effectiveness of the Group's system of internal control covering all controls, including financial, operational and compliance controls, and risk management processes.

The written terms of reference of the Audit Committee are in line with the Code, and are available on the Company and the Stock Exchange's websites.

AUDITOR'S REMUNERATION

The remuneration paid or payable to the external auditor of the Group in 2013 comprised fees for audit services of RMB280,000. The non-audit services rendered by the Company's independent auditor and the relevant fees amounted to RMB15,000 during the Year.

AUDIT COMMITTEE

The Audit Committee is primarily responsible for reviewing and supervising the financial reporting process and internal control system of the Group as well as external auditor of the Group.

The Audit Committee held two meetings during the Year to review the financial results and reports (including the interim results of the Group for the six months ended 30 June 2013). Policies in relation to financial controls, internal controls, risk management systems of the Group, and the retirement and appointment of the external auditor were reviewed by the Audit Committee at the meetings. The Audit Committee has reviewed this annual report and confirmed that this annual report is complete, accurate and complies with all applicable rules and regulations, including but not limited to the Listing Rules and the Code. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

The Audit Committee comprises three independent non-executive Directors. A record of the Directors' attendance at the Audit Committee's meetings is set out as follows:

Members of Audit Committee	Attendance/ Number of Meetings
Chen Wenping *(Chairman)*	2/2
Liu Jinlu	2/2
Guo Qiang	2/2

During the Year, members of the Audit Committee had performed the following duties:

- reviewed and approved the annual results of the Group for the year ended 31 December 2012 and the interim results of the Group for the six months ended 30 September 2013;
- made recommendations to the Board on the appointment of the Company's external auditor, and approved the remuneration and terms of engagement of the Company's external auditor;
- reviewed and monitored the Company's external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- implemented policy on engaging the Company's external auditor to supply non-audit services;
- monitored the integrity of the Company's financial statements and annual report and accounts, half-year report and reviewed significant financial reporting judgements contained in them;

- discussed with the Company's external auditors questions and doubts arising in audit of interim and annual accounts;
- reviewed the letter to the Company's management from the Company's external auditors and the management's response;
- reviewed the statement about the Company's internal control system which included in this annual report prior to submission for the Board's approval;
- reviewed the Company's financial reporting, financial controls, internal control and risk management systems;
- discussed the internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system;
- considered major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- ensured co-ordination between the Company's internal and external auditors, and ensured that the Company's internal audit function is adequately resourced and had appropriate standing within the Company, and reviewed and monitor its effectiveness;
- reviewed the financial and accounting policies and practices of the Group;
- reviewed the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response; and
- ensured that the Board had provided a timely response to the issues raised in the external auditor's management letter.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the financial statements for the Year. The auditor of the Company acknowledge their reporting responsibilities in the auditor's report on the financial statements for the Year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements.

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") on 28 March 2012, which comprises an executive Director, namely Mr. Chen Jun, and two independent non-executive Directors, namely Mr. Chen Wenping and Mr. Guo Qiang. Mr. Chen Jun shall act as the chairman of the Nomination Committee. The main function of the Nomination Committee is to identify appropriate individuals qualified to become Board members and to provide advice to the Board in respect of nominating such persons to the Board.

In August 2013, the Board has adopted its board diversity policy. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

A record of the members' attendance of the first meeting of the Nomination Committee held on 27 March 2013 is set out as follows:

Members of Nomination Committee	Attendance/ Number of Meetings
Chen Jun *(Chairman)*	1/1
Chen Wenping	1/1
Guo Qiang	1/1

The written terms of reference of the Nomination Committee are in line with the Code, and are available on the Company and the Stock Exchange's websites.

During the year, the Nomination Committee has performed the following duties:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identified individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assessed the independence of independent non-executive Directors; and
- made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

INDEPENDENT AUDITOR'S REPORT

Crowe Horwath™

國富浩華 (香港) 會計師事務所有限公司
Member Crowe Horwath International

9/F, Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ZHONGTIAN INTERNATIONAL LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Zhongtian International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 30 to 96, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, 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 consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 25 March 2014

Kwok Cheuk Yuen
Practising Certificate Number P02412

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Continuing operations			
Turnover	6	**9,702**	23,995
Cost of sales		**(8,092)**	(21,558)
Gross profit		**1,610**	2,437
Other revenue and other income	7	**453**	145
Administrative expenses		**(4,064)**	(5,082)
Fair value gain on investment properties	16	**–**	1,445
Loss before taxation	8	**(2,001)**	(1,055)
Income tax credit/(expense)	9	**291**	(129)
Loss for the year from continuing operations		**(1,710)**	(1,184)
Discontinued operation			
Loss for the year from discontinued operation	10	**–**	(6,192)
Loss for the year			
Attributable to owners of the Company		**(1,710)**	(7,376)
Loss attributable to owners of the Company:			
Continuing operations		**(1,710)**	(1,184)
Discontinued operation		**–**	(6,192)
		(1,710)	(7,376)
Loss per share (expressed in RMB cents)	14		
From continuing and discontinued operations			
Basic and diluted		**(0.8)**	(3.4)
From continuing operations			
Basic and diluted		**(0.8)**	(0.6)
From discontinued operation			
Basic and diluted		**–**	(2.8)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Loss for the year		**(1,710)**	(7,376)
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
Gain on revaluation of leasehold land and held under operating lease and buildings upon transfer to investment properties	16	**2,203**	–
Deferred tax liability arising on gain on revaluation of leasehold land and held under operating lease and buildings	22(b)	**(551)**	–
Other comprehensive income for the year		**1,652**	–
Total comprehensive loss for the year			
Attributable to owners of the Company		**(58)**	(7,376)
Total comprehensive loss attributable to owners of the Company:			
Continuing operations		**(58)**	(1,184)
Discontinued operation		**–**	(6,192)
		(58)	(7,376)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Fixed assets	15	**8,893**	20,513
Investment properties	16	**44,500**	31,050
		53,393	51,563
Current assets			
Trade and other receivables	19	**10,617**	47,291
Amount due from a director	28(a)	**–**	508
Cash and cash equivalents	20	**50,319**	26,418
		60,936	74,217
Current liabilities			
Trade and other payables	21	**9,121**	21,299
Amounts due to directors	28(b)	**1,462**	937
Current taxation	22(a)	**1,371**	1,371
		11,954	23,607
Net current assets		**48,982**	50,610
Total assets less current liabilities		**102,375**	102,173
Non-current liabilities			
Deferred tax liabilities	22(b)	**9,616**	9,356
Net assets		**92,759**	92,817
Capital and reserves			
Share capital	23	**2,073**	2,073
Reserves	24	**90,686**	90,744
Total equity		**92,759**	92,817

Approved and authorised for issue by the board of directors on 25 March 2014.

Chen Jun
Director

Zhao Yun
Director

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Interests in subsidiaries	18	**84,911**	84,911
Current assets			
Other receivables	19	**51**	29
Amounts due from subsidiaries	18(b)	**2,620**	3,535
Cash and cash equivalents	20	**115**	1,156
		2,786	4,720
Current liabilities			
Other payables	21	**730**	489
Amount due to a subsidiary	18(b)	**–**	1,282
Amounts due to directors	28(b)	**3,278**	2,887
		4,008	4,658
Net current (liabilities)/assets		**(1,222)**	62
Net assets		**83,689**	84,973
Capital and reserves			
Share capital	23	**2,073**	2,073
Reserves	24	**81,616**	82,900
Total equity		**83,689**	84,973

Approved and authorised for issue by the board of directors on 25 March 2014.

Chen Jun
Director

Zhao Yun
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital	Share premium Note 24(a)	Warrant reserve Note 24(b)	Property revaluation reserve Note 24(c)	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	2,073	146,801	315	–	(48,996)	100,193
Loss for the year	–	–	–	–	(7,376)	(7,376)
Total comprehensive loss for the year	–	–	–	–	(7,376)	(7,376)
At 31 December 2012 and 1 January 2013	2,073	146,801	315	–	(56,372)	92,817
Gain on revaluation of properties upon transfer to investment properties (note 16)	–	–	–	2,203	–	2,203
Deferred tax liability arising on gain on revaluation of properties (note 22(b))	–	–	–	(551)	–	(551)
Loss for the year	–	–	–	–	(1,710)	(1,710)
Total comprehensive loss for the year	–	–	–	1,652	(1,710)	(58)
At 31 December 2013	2,073	146,801	315	1,652	(58,082)	92,759

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Operating activities			
Loss before taxation:			
– Continuing operations		**(2,001)**	(1,055)
– Discontinued operation		**–**	(9,284)
		(2,001)	(10,339)
Adjustments for:			
Interest income		**(167)**	(145)
Impairment of other receivables		**(220)**	–
Depreciation of fixed assets		**373**	598
Fair value gain on investment properties		**–**	(1,445)
Loss on the disposal of available-for-sale equity investment		**–**	9,284
Unrealised foreign exchange (gain)/loss		**(35)**	111
Changes in working capital		**(2,050)**	(1,936)
Decrease/(increase) in trade and other receivables		**36,929**	(25,102)
Decrease/(increase) in amount due from a director		**508**	(508)
(Decrease)/increase in trade and other payables		**(12,178)**	13,519
Increase in amounts due to directors		**525**	915
Cash generated from/(used in) operations		**23,734**	(13,112)
Interest received		**167**	145
Net cash generated from/(used in) operating activities		**23,901**	(12,967)
Investing activities			
Net proceeds from disposal of available-for-sale equity investment	10	**–**	9,595
Purchases of property, plant and equipment		**–**	(83)
Net cash generated from investing activities		**–**	9,512
Net increase/(decrease) in cash and cash equivalents		**23,901**	(3,455)
Cash and cash equivalents at beginning of the year		**26,418**	29,873
Cash and cash equivalents at end of the year	20	**50,319**	26,418

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 December 2003 under the Companies Law of the Cayman Islands. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 22 September 2004. The addresses of the registered office and principal of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group. None of these developments have a significant impact on the Group's and the Company's results of operations and financial position.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except for the following assets which is stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 2(g))

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 5.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the equity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries *(Continued)*

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less any impairment losses (see note 2(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Business combination

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

– a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carryforwards of an acquiree that existed at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12 *Income Tax*;

– assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;

– liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* (see the accounting policy below) at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Business combination *(Continued)*

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Business combination *(Continued)*

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(e) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investment in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and the fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(r)(iv) and (iii).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses. Dividend income from equity securities is recognised in profit or loss in accordance with policy set out in note 2(r)(iv).

When the investments are derecognised or impaired, the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or when they expire.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(r)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(i).

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “property, plant and equipment and depreciation” up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “property, plant and equipment and depreciation” above.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Other property, plant and equipment

Other property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses (see note 2(j)).

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings situated on leasehold land are depreciated over the shorter of their estimated lives, being no more than 50 years and the unexpired term of the lease
- Lease land classified as held under operating lease is depreciated over the unexpired term of lease
- Motor vehicles 5 years
- Furniture, fixtures and equipment 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Other property, plant and equipment *(Continued)*

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(i) Leased assets

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

(i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(g)) or is held for development for sale.

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables *(Continued)*

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

– For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).

– For unquoted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables *(Continued)*

– For available-for-sale securities, the cumulative loss that has been recognised in the investment reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– Property, plant and equipment;

– Leasehold land held under operating lease; and

– Investments in subsidiaries in the Company's statement of financial position

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

– **Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– **Recognition of impairment losses**

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measureable), or value in use, (if determinable).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim Financial Reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see note 2(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not to profit or loss.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Inventories *(Continued)*

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. When payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using a pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2 (g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    - the same taxable entity; or

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or Company 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 expenditure 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 of economic benefits 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 of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economics benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is stated after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue recognition *(Continued)*

(iii) Interest income

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

(iv) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in fair value are translated using the foreign exchange rates at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) Discontinued operations

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

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(w) Related parties

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

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

(ii) has significant influence over the Group; or

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties *(Continued)*

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

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

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

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

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

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

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

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

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

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes 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.

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

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements.

Amendments to HKAS 1	Presentation of financial statements– Presentation of items of other comprehensive income
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Revised HKAS 19	Employee benefits
Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures-Offsetting financial assets and financial liabilities

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period. Impact of these new or amend HKFRSs is discussed below:

Amendments to HKAS 1 – Presentation of financial statements – Presentation of items of other comprehensive income

The amendments require the entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly.

HKFRS 10 – Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation-Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. As a result of the adoption of HKFRS10, the group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

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

HKFRS 12 – Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 18.

HKFRS 13 – Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 16. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

These amendments do not have any material impact on the results of operations and financial position of the Group for the years presented.

Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments include new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting agreement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of finance risks, including credit risk, liquidity risk, interest rate risk and currency risk. The Group's exposure to these risks and the financial risks management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group maintains a defined credit policy. An aging analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables. Normally, the Group does not obtain collateral from customers. At the end of the reporting period, the Group has a significant concentration of credit risk as 100% (2012: 100%) of the total trade receivables were due from the Group's one largest customer within the information technology segment. All of the trade receivables were subsequently settled up to the date of approval of these financial statements.

Cash at banks are with counterparties with sound credit ratings to minimise credit exposure.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows at the end of the reporting period and the earliest date the Group and the Company can be required to pay:

Group

	2013			2012		
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000
Trade and other payables	8,316	8,316	8,316	20,565	20,565	20,565
Amounts due to directors	1,462	1,462	1,462	937	937	937
	9,778	9,778	9,778	21,502	21,502	21,502

Company

	2013			2012		
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000
Other payables	730	730	730	489	489	489
Amount due to a subsidiary	–	–	–	1,282	1,282	1,282
Amounts due to directors	3,278	3,278	3,278	2,887	2,887	2,887
	4,008	4,008	4,008	4,658	4,658	4,658

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk

The Group and the Company are exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets which are mainly short term bank deposits at market rates.

At 31 December 2013, it is estimated that a general increase/decrease 100 basis points in interest rates, with all other variable held constant, the Group's loss and accumulated losses would decrease by RMB503,000 (2012: RMB264,000) and the Company's loss and accumulated losses for the year would decrease/increase by RMB1,000 (2012: RMB12,000). This is mainly attributable to the interest earned from bank balances.

The sensitivity analysis above, which include interest rate exposure on variable-rate interest bearing deposits, have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of reporting period. A 100 basis point change is used which represents the management's assessment of the reasonably possible change in interest rates over the period until the end of next reporting period. The analysis is performed on the same basis for 2012.

(d) Currency risk

The Group is exposed to currency risk primarily through bank deposits and trade and other payables that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily US dollar and Hong Kong dollar. The Group considers that the exposure to the currency risk is not material and no hedging arrangement has been made.

(i) Exposure to currency risk

The following table details the Group's and the Company's major exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and cash equivalents:				
Hong Kong dollar	**132**	1,156	**115**	1,156
Trade and other payables:				
Hong Kong dollar	**–**	19,000	**–**	–

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

Group

	2013 Increase/(decrease) in foreign exchange rates	2013 Effect on loss after taxation and accumulated losses RMB'000	2013 Effect on other components of equity RMB'000	2012 Increase/(decrease) in foreign exchange rates	2012 Effect on loss after taxation and accumulated losses RMB'000	2012 Effect on other components of equity RMB'000
Hong Kong dollar	5%	7	–	5%	1,013	–
	(5%)	(7)	–	(5%)	(1,013)	–

Company

	2013 Increase/(decrease) in foreign exchange rates	2013 Effect on loss after taxation and accumulated losses RMB'000	2013 Effect on other components of equity RMB'000	2012 Increase/(decrease) in foreign exchange rates	2012 Effect on loss after taxation and accumulated losses RMB'000	2012 Effect on other components of equity RMB'000
Hong Kong dollar	5%	6	–	5%	58	–
	(5%)	(6)	–	(5%)	(58)	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group's entities loss after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group and the Company which expose the Group and the Company to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2012.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) Fair values of financial assets and financial liabilities carried at other than fair value

No disclosure of fair value is required as all of the Group's financial instruments are carried at amounts not materially different from their fair values at 31 December 2013 and 2012.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Depreciation of property, plant and equipment

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Directors of the Company review the estimated useful lives of the assets regularly in order to determine the amount of depreciation expenses to be recorded. The useful lives are based on the Group's historic experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(b) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or fair value less cost of disposal. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which require significant judgement relating to such items such as level of turnover and amount of operating costs.

(c) Estimation of fair value of investment properties

Investment properties are stated at fair value at the end of the reporting period, which is assessed annually by independent qualified valuers, by reference to open market value basis calculated by reference to net rental income and/or on the basis of discounted cash flow projections based on estimates of future rental income from properties using current market rentals and yields as inputs. The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market transactions and the appropriate capitalisation rate.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Impairment of trade and other receivables

The Group makes allowance for impairment of trade and other receivables based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each counterparty debtor. If the financial conditions of the counterparty debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(e) Income taxes

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Impairment of interests in subsidiaries

The Company makes impairment on interests in subsidiaries when the related recoverable amounts of the interests in subsidiaries, with reference to the net asset values of the subsidiaries, are estimated to be less than their carrying amounts.

6. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

Turnover represents the sales value of goods supplied to customers and rental income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2013 RMB'000	2012 RMB'000
Continuing operations		
Sale of intelligent electronic products	**8,526**	23,388
Gross rental income from investment properties	**1,176**	607
	9,702	23,995

(b) Segment information

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Information technology: sale of intelligent electronic products in the People's Republic of China (the "PRC")

– Property investment: this segment offers office premises to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently, the Group's investment properties are located entirely in the PRC

Operating segment of equity investment was discontinued during the year ended 31 December 2012. The following segment information does not include any amounts for the discontinued operation, which is described in note 10.

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocation of resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities of each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "segment operating results". Segment operating profit/loss includes the operating profit/loss generated by the segment and finance costs directly attributable to the segment, without allocation of central administration costs. Taxation charge is not allocated to reportable segment.

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2013 and 2012 is set out below:

For the year ended 31 December 2013

Continuing operations	**Information technology RMB'000**	**Property investment RMB'000**	**Total RMB'000**
Reportable segment turnover from external customers	8,526	1,176	9,702
Reportable segment results	(375)	1,176	801
Interest income	167	–	167
Depreciation	372	–	372
Reportable segment assets	69,646	44,500	114,146
Reportable segment liabilities	5,870	–	5,870

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

(i) Segment results, assets and liabilities *(Continued)*

For the year ended 31 December 2012

Continuing operations	Information technology RMB'000	Property investment RMB'000	Total RMB'000
Reportable segment turnover from external customers	23,388	607	23,995
Reportable segment results	(280)	2,052	1,772
Interest income	145	–	145
Depreciation	598	–	598
Reportable segment assets	93,545	31,050	124,595
Reportable segment liabilities	18,860	–	18,860

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

(ii) Reconciliations of reportable segment turnover, profit or loss, assets and liabilities:

	2013 RMB'000	2012 RMB'000
Turnover		
Total reportable segment turnover	**9,702**	23,995
Elimination of inter-segment revenue	**–**	–
Consolidated turnover	**9,702**	23,995
Loss		
Reportable segment profit	**801**	1,772
Unallocated corporate expenses	**(2,802)**	(2,827)
Consolidated loss from continuing operations before taxation	**(2,001)**	(1,055)
Assets		
Total reportable segment assets	**114,146**	124,595
Unallocated corporate assets	**183**	1,185
Consolidated assets	**114,329**	125,780
Liabilities		
Total reportable segment liabilities	**5,870**	18,860
Income tax payable	**1,371**	1,371
Deferred tax liabilities	**9,616**	9,356
Unallocated corporate liabilities	**4,713**	3,376
Consolidated liabilities	**21,570**	32,963

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

(iii) Geographical information

In determining the Group's geographical information, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. As the Group's major operations and markets are all located in the PRC, no further geographical segment information is provided.

(iv) Information from major customers

Revenue from a customer amounted to RMB8,526,000 (2012: RMB23,388,000) on sale of intelligent electronics products contributed more than 10% of the Group's total revenue. Further details of concentration of credit risk are set out in note 4(a).

7. OTHER REVENUE

	2013	2012
	RMB'000	RMB'000
Continuing operations		
Interest income from bank deposits	**167**	145
Exchange gain	**36**	–
Compensation for cancellation of contract	**250**	–
	453	145

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	2013 RMB'000	2012 RMB'000
Continuing operations		
(a) Staff costs		
Directors' emoluments	**204**	970
Salaries, wages and other benefits	**359**	277
Retirement benefit scheme contributions	**7**	27
	570	1,274
(b) Other items		
Auditor's remuneration		
– audit services	**222**	203
– non-audit services	**12**	12
– over-provision in prior years	**–**	(41)
Depreciation of property, plant and equipment	**373**	598
Gross rental income from investment properties less direct outgoings RMB33,000 (2012: RMB35,000)	**(1,143)**	(572)
Impairment of prepayment	**220**	–
Net foreign exchange loss	**–**	111
Operating lease charges in respect of buildings	**642**	545
Cost of inventories	**8,092**	21,558

9. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2013 RMB'000	2012 RMB'000
Continuing operations		
Current tax		
PRC Enterprise Income Tax	–	–
Deferred tax (note 22(b))		
Origination and reversal of temporary differences	(291)	129
	(291)	129

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The provision for Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2013 and 2012, as the Group did not have assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2013 and 2012.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2012: 25%).

9. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(b) Reconciliation between tax expense and accounting loss at the applicable tax rates:

	2013 RMB'000	2012 RMB'000
Loss before taxation from continuing operations	**(2,001)**	(1,055)
Notional tax on loss before taxation calculated at the rates applicable to loss in the countries concerned	**(585)**	142
Effect on utilisation of tax loss	**(157)**	(672)
Tax effect of non-deductible expenses	**445**	654
Tax effect of non-taxable income	**–**	(2)
Tax effect of unrecognised tax loss	**6**	7
Income tax (credit)/expense	**(291)**	129

10. DISCONTINUED OPERATION

During the year ended 31 December 2012, the Group discontinued the equity investment segment upon the disposal of the available-for-sale equity investment as detailed in note 17.

Loss on disposal of available-for-sale equity investment

	2012 RMB'000
Cash consideration received	9,595
Less: Carrying amount of available-for-sale equity investment at the date of disposal (note (17))	(18,879)
Loss on disposal	(9,284)
Income tax – reversal of deferred tax (note 22(b))	3,092
Loss for the year from discontinued operation	(6,192)

There was no significant net asset of the equity investment segment upon disposal of available-for-sale equity investment. The net cash inflow outflow of RMB9,595,000 from the disposal of available-for-sale equity investment was attributable to investing activities.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

11. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383 of the Hong Kong Companies Ordinance is as follows:

	2013			
Name of directors	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total emoluments RMB'000
Executive directors				
Chen Jun	–	23	9	32
Zhao Yun	–	102	10	112
Independent non-executive directors				
Chen Wenping	20	–	–	20
Guo Qiang	20	–	–	20
LIU Jinlu	20	–	–	20
	60	125	19	204

11. DIRECTORS' REMUNERATION *(Continued)*

2012

Name of directors	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total emoluments RMB'000
Executive directors				
Chen Jun	–	552	9	561
Zhao Yun	–	339	10	349
Independent non-executive directors				
Chen Wenping	20	–	–	20
Guo Qiang	20	–	–	20
Liu Jinlu	20	–	–	20
	60	891	19	970

There was no amount paid during the years ended 31 December 2013 and 2012 to any directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2013 and 2012.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2012: two) is director whose emolument is disclosed in note 11. The aggregate of the emoluments in respect of the other four (2012: three) individuals are as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other benefits	**280**	152
Retirement benefit scheme contributions	**25**	20
	305	172

Their emoluments all fell within the Nil to RMB144,000 (equivalent to Nil to HK$114,000) band.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

During the years ended 31 December 2013 and 2012, no emoluments were paid by the Company to any of the highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of RMB1,284,000 (2012: RMB7,747,000) which has been dealt with in the financial statements of the Company.

14. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of RMB1,710,000 (2012: loss of RMB7,376,000) and the weighted average number of 217,029,122 (2012: 217,029,122) ordinary shares of the Company in issue during the year, calculated as follows:

(i) Loss for the year attributable to owners of the Company

	2013 **RMB'000**	2012 RMB'000
Loss for the year from continuing operations	**1,710**	1,184
Loss for the year from discontinued operation	**–**	6,192
	1,710	7,376

	2013	2012
(ii) Weighted average number of ordinary shares of the Company	**217,029,122**	217,029,122

The diluted loss per share for the years ended 31 December 2013 and 2012 are same as the basic loss per share as the effect of the outstanding warrants would be anti-dilutive.

15. FIXED ASSETS

Group

	Leasehold land held under operating lease RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, Fixture and equipment RMB'000	Total RMB'000
Cost					
At 1 January 2012	9,900	12,100	2,359	2	24,361
Additions	–	–	79	4	83
At 31 December 2012 and 1 January 2013	9,900	12,100	2,438	6	24,444
Transfer to investment properties (note 16)	(9,900)	(12,100)	–	–	(22,000)
Transfer from investment properties (note 16)	3,872	4,928	–	–	8,800
At 31 December 2013	3,872	4,928	2,438	6	11,244
Accumulated depreciation and impairment					
At 1 January 2012	483	590	2,259	1	3,333
Charge for the year	264	322	11	1	598
At 31 December 2012 and 1 January 2013	747	912	2,270	2	3,931
Charge for the year	158	195	19	–	373
Write back on transfer	(879)	(1,074)	–	–	(1,953)
At 31 December 2013	26	33	2,289	3	2,351
Carrying amount					
At 31 December 2013	3,846	4,895	149	3	8,893
At 31 December 2012	9,153	11,188	168	4	20,513

15. FIXED ASSETS *(Continued)*

Notes:

(a) The leasehold land and buildings are situated in Qingdao, the PRC, under medium term lease.

(b) The transfer from investment properties to land and buildings was made since there was a change in use as evidenced by the commencement of owner-occupation by the Company during the year ended 31 December 2013.

(c) As at 31 December 2013, no assets were under pledge. As at 31 December 2012, leasehold land and buildings and investment properties with carrying amounts of RMB20,341,000 and RMB22,250,000, respectively, were pledged as security to a bank for banking facilities not exceeding RMB18,000,000 granted to an independent third party supplier of the Group in the consideration of which the Group was not required to pay for purchase deposit for the same amount under the goods purchase contract dated 25 October 2011. The pledge was released upon cancellation of the purchase contract.

16. INVESTMENT PROPERTIES

	Group	
	2013	2012
	RMB'000	RMB'000
Investment properties, at fair value		
At 1 January	**31,050**	29,605
Transfer from property, plant and equipment and leasehold land held under operating lease	**20,047**	–
Transfer to property, plant and equipment and leasehold land held under operating lease	**(8,800)**	–
Change in fair value of investment properties	**2,203**	1,445
At 31 December	**44,500**	31,050

Notes:

(a) During the year ended 31 December 2013, certain land and buildings with carrying amounts of approximately RMB20,047,000 were transferred to investment properties at fair value of approximately RMB22,250,000 at date of transfer due to the change of usage as evidenced by the commencement of operating leases to third party. The difference between the carrying amount and fair value which amounted to approximately RMB2,203,000 is recognised in other comprehensive income.

16. INVESTMENT PROPERTIES *(Continued)*

Notes: *(Continued)*

(b) The analysis of carrying amounts of investment properties is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
In Qingdao, the PRC		
– Medium term lease	**44,500**	22,545
– Long term lease	**–**	8,505
	44,500	31,050

(c) All of the Group's property interest held under operating leases to earn rentals or for capital appreciation purposes are measured using fair value model and are classified and accounted for as investment properties.

(d) **Fair value measurements of properties**

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into 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 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs.

Level 3 valuations: Fair value measured using significant unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

16. INVESTMENT PROPERTIES *(Continued)*

Notes: *(Continued)*

(d) Fair value measurements of properties *(Continued)*

(i) Fair value hierarchy *(Continued)*

		Fair value measurements as at 31 December 2013 categorised into		
	Fair value as at 31 December 2013	**Level 1**	**Level 2**	**Level 3**
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Recurring fair value measurement				
Investment properties:				
Commercial – PRC	44,500	–	–	44,500

During the year ended 31 December 2013, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. The fair value of the Group's investment properties at the date of transfer, 31 December 2013 and 2012 have been arrived at on the basis of a valuation carried out by an independent firm of professional valuers, Assets Appraisal Limited, who have, among their staff, Fellows of the Hong Kong Institute of Surveyors, with recent experience in the location and category of properties being valued. The valuation was arrived at using the open market value basis calculated by reference to recent sales price of comparable properties on a price per square meter basis, adjusted for a premium or discount specific to the quality of the Group's buildings compared to recent sales and the timing on the comparable transactions. The management has discussion with the valuers on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

16. INVESTMENT PROPERTIES *(Continued)*

Notes: *(Continued)*

(d) Fair value measurements of properties *(Continued)*

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable inputs
Investment properties Commercial – PRC	Market comparison approach	Premium/(discount) on quality of the buildings

The fair value of investment properties located in the PRC is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square meter basis, adjusted for a premium or discount specific to the quality of the Group's buildings compared to recent sales and the timing on the comparable transactions. Higher premium for higher quality buildings and a favourable adjustment on the timing of comparable transactions will result in a higher fair value measurement.

17. AVAILABLE-FOR-SALE EQUITY INVESTMENT

	Group	
	2013 **RMB'000**	2012 RMB'000
Unlisted equity investment, at fair value		
At 1 January	–	18,879
Disposal (note (10))	–	(18,879)
At 31 December	–	–

17. AVAILABLE-FOR-SALE EQUITY INVESTMENT *(Continued)*

Available-for-sale equity investment represented 2.14% equity interest of Qingdao Huafeng Rural Cooperative Bank Limited in Qingdao, the PRC ("Huafeng Bank").

The mandatory buy-back of the Group's shareholding in Huafeng Bank was completed during the year ended 31 December 2012, upon the finalisation of the reorganisation of Huafeng Bank's merger with other local banks in the PRC and the Group received a sum of RMB9,595,000 for its shareholding in Huafeng Bank surrendered in accordance with the resolutions and relevant regulations in the PRC. This resulted in loss on disposal of RMB6,191,000, net of the reversal of deferred tax of RMB3,092,000 (note 22(b)).

18. INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	RMB'000	RMB'000
Unlisted shares, at cost	**53,347**	53,347
Amounts due from subsidiaries (note (a))	**121,509**	121,509
	174,856	174,856
Impairment loss (note (a))	**(89,945)**	(89,945)
Interests in subsidiaries, net	**84,911**	84,911
Amounts due from subsidiaries (note (b))	**2,620**	3,535
Amount due to a subsidiary (note (b))	**–**	(1,282)

Notes:

(a) The amounts due from subsidiaries of RMB121,509,000 (2012: RMB121,509,000) are unsecured, interest-free and will not be demanded for repayment and, in substance form part of the Company's investment in subsidiaries as its capital contributions to these subsidiaries. No additional allowance for the Company's investment in subsidiaries was recognised as at 31 December 2013 (2012: RMB4,941,000) because the related recoverable amounts from these subsidiaries were estimated to be approximated as their carrying amounts.

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

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes: *(Continued)*

(c) The following list contains only the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group. The class of shares held is ordinary shares unless otherwise stated.

Name	Form of business structure	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Interest held directly	Interest held indirectly	Principal activities
Success Advantage Limited	Limited liability company	British Virgin Islands ("BVI")	US$100	100%	–	Inactive
Hong Kong Zhongtian Mining Limited	Limited liability company	Hong Kong	HK$1	–	100%	Inactive
New East Glory Limited	Limited liability company	BVI	US$1	100%	–	Investment holding
Great Miracle Holdings Limited	Limited liability company	BVI	US$1	–	100%	Investment holding
Shan Dong Travel Services Holdings Limited	Limited liability company	Hong Kong	HK$10,000	–	100%	Investment holding
Qingdao Hai Yi Commercial Management Co., Ltd.	Wholly foreign-owned enterprise	PRC	US$423,200	–	100%	Investment holding
Qingdao Hai Yi Investment and Consultancy Co., Ltd.	Limited liability company	PRC	RMB25,000,000	–	100%	Property holding and sale of intelligent electronic products

(d) The Group had no subsidiaries which have non-controlling interests for the year ended 31 December 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**10,515**	27,921	**–**	–
Other receivable (note (d))	**1**	19,102	**–**	–
Prepayments and deposits	**101**	268	**51**	29
	102	19,370	**51**	29
	10,617	47,291	**51**	29

Notes:

All of the trade and other receivables are expected to be recovered within one year. All of the trade receivables were subsequently settled up to the date of approval of these financial statements.

(a) Ageing analysis

Included in trade and other receivables are trade receivables with the following ageing analysis:

	Group	
	2013	2012
	RMB'000	RMB'000
0-30 days	**6,265**	18,800
31-60 days	**250**	9,121
61-90 days	**3,600**	–
91-180 days	**–**	–
181-365 days	**133**	–
Over 365 days	**267**	–
	10,515	27,921

Trade receivables are due within 30 days to 90 days from the date of billing. Receivables that are current related to customers for whom there is no recent history of default.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The Group does not hold any collateral over the trade receivable balances.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables based on the due date that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Neither past due nor impaired	**10,115**	27,921
Past due but not impaired		
1-180 days	**400**	–
	10,515	27,921

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

Receivables that were past due but not impaired relate an independent customer that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(d) As at 31 December 2012, other receivable comprised a short-term loan of RMB19,000,000 advanced to an independent third party. The loan was interest free and was settled during the year ended 31 December 2013. The collateral over the loan obtained was repaid accordingly, as referred to in note 21(b).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 **RMB'000**	2012 RMB'000	**2013** **RMB'000**	2012 RMB'000
Cash and bank balances	**50,319**	26,418	**115**	1,156
Cash and bank balances in the consolidated statement of cash flows	**50,319**	26,418	**115**	1,156

Cash at bank earns interest at floating rate based on daily market bank deposit rate at an average rate of 0.44% (2012: 0.01%) per annum.

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 **RMB'000**	2012 RMB'000	**2013** **RMB'000**	2012 RMB'000
Trade payables	**6,087**	–	**–**	–
Other payable (note (b))	**2,229**	20,565	**730**	489
Financial liabilities at amortised cost	**8,316**	20,565	**730**	489
Value-added tax payable	**805**	734	**–**	–
	9,121	21,299	**730**	489

21. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

(a) Included in trade and other payables are trade payables with the following ageing analysis as of the end of the reporting period:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
0-30 days	**2,587**	–	**–**	–
31-60 days	**–**	–	**–**	–
61-90 days	**–**	–	**–**	–
91-180 days	**–**	–	**–**	–
181-365 days	**3,500**	–	**–**	–
	6,087	–	**–**	–

(b) As at 31 December 2012, other payable represented the advance from an associate of an independent third party as collateral for the short-term loan advanced to that independent third party as detailed in note 19(b). The balance was interest free and the collateral was released upon settlement of short-term loan as referred to in note 19(b).

22. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position:

	Group	
	2013	2012
	RMB'000	RMB'000
PRC Enterprise Income Tax		
Provision for the year	**–**	–
Provision for prior years	**1,371**	1,371
	1,371	1,371

22. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax liabilities recognised

The components of deferred tax liabilities in respect of the fair value adjustments of the acquisition of the following assets, recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Group			
	Revaluation of properties RMB'000	Leasehold land and buildings RMB'000	Available-for-sale equity investment RMB'000	Total RMB'000
At 1 January 2012	5,234	3,993	3,092	12,319
Charged/(credited) to profit or loss				
– Continuing operations	361	(232)	–	129
– Discontinued operation (note (10))	–	–	(3,092)	(3,092)
At 31 December 2012 and 1 January 2013	5,595	3,761	–	9,356
Charged to equity	551	–	–	551
Charged to profit or loss	–	(291)	–	(291)
At 31 December 2013	6,146	3,470	–	9,616

(c) Deferred tax assets not recognised

At the end of the reporting period, the Group has not recognised deferred tax assets in respect of unused tax losses of RMB1,546,000 (2012: RMB1,522,000) because it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses expire five years after the year the loss occurred under the current tax legislation.

23. SHARE CAPITAL

	Number of shares		Share capital	
	2013	2012	**2013**	2012
	’000	’000	**HK$’000**	HK$’000
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000**	10,000,000	**100,000**	100,000
Issued and fully paid:				
At 1 January	**217,029**	217,029	**2,170**	2,170
At 31 December	**217,029**	217,029	**2,170**	2,170
Equivalent to RMB’000			**2,073**	2,073

24. RESERVES

Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Share premium RMB'000 Note (a)	Warrant reserve RMB'000 Note (b)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2012	146,801	315	(56,469)	90,647
Loss for the year	–	–	(7,747)	(7,747)
At 31 December 2012 and 1 January 2013	146,801	315	(64,216)	82,900
Loss for the year	–	–	(1,284)	(1,284)
At 31 December 2013	146,801	315	(65,500)	81,616

Nature and purpose of reserves are as follows:

(a) Share premium

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

24. RESERVES *(Continued)*

(b) Warrant reserve

Warrant reserve represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium account upon exercise of the warrants.

On 24 August 2011, the Company issued 43,405,824 non-listed warrants at an issue price of HK$0.01 per warrant by private placement. Each warrant entitles the holder to subscribe for one ordinary share at a subscription price of HK$0.64 per warrant share. The warrants will expire on 23 August 2014.

(c) Property revaluation reserve

During the year ended 31 December 2013, certain properties previously occupied by the Group as owner-occupied property were transferred to investment properties and a revaluation surplus of RMB2,203,000 was credited to property revaluation reserve to account for the difference between the carrying amounts and the fair values of the properties at the date of change in use, determined using market comparison approach approach by independent firm of valuers.

(d) Distributability of reserves

The Company's reserves available for distribution represent the share premium and accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or 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. In the opinion of the directors of the Company, as at 31 December 2013, the Company had reserves available for distribution to equity shareholders of RMB81,301,000 (2012: RMB82,585,000).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 2012. At 31 December 2013 and 2012, the Group did not have any long term external borrowing and had net cash position.

Neither the Company nor any of it subsidiaries are subject to externally imposed capital requirements.

25. SHARE OPTION SCHEME

Pursuant to a share option scheme approved by a resolution of the shareholders of the Company dated 27 July 2004 (the "Scheme"), the Company may grant options to the directors, employees and shareholders of the Company or its subsidiaries and consultants, customers and suppliers, for the recognition of their contributions to the Group, to subscribe for shares in the Company with a payment of HK$1.00 upon each grant of options offered and the options granted must be taken up within 28 days from the date of grant. The exercise price of the share option will be determined at the higher of the average of closing prices of shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; the closing price of the Company's shares on the Stock Exchange on the date of grant; and the nominal value of the shares.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Scheme, the relevant PRC laws and regulations and any conditions of grant as may be stipulated by the board of directors.

The maximum number of shares in respect of which options may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes shall not exceed 30% of the number of shares of the Company in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not, in aggregate, exceed 10% of the number of shares of the Company in issue as at the date of approval of the Scheme unless further shareholders' approval has been obtained pursuant to the conditions set out in the Scheme. No person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued shares of the Company.

The total number of shares available for issue under the Scheme as at the end of the reporting period was 21,702,912 shares (2012: 21,702,912 shares) which represented 10% of the issued share capital of the Company as at the end of the reporting period. There is no minimum period for which an option to be held before it can be exercised under the Scheme. At 31 December 2013, there were no outstanding share options (2012: Nil). No share option was granted during the years ended 31 December 2013 and 2012.

26. EMPLOYEE RETIREMENT BENEFITS

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute 20% of its payroll costs to the central pension scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

The Group's contributions to employee retirement benefits for the year ended 31 December 2013 were RMB26,000 (2012: RMB46,000). As at 31 December 2013, there was no material outstanding contribution to employee retirement benefits. The Group does not have any other obligations other than the contributions described above.

27. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2013, the Group had total minimum lease receivables and payables under non-cancellable operating leases are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
As lessor:		
Within 1 year	**1,258**	828
After 1 year but within 5 years	**4,212**	3,208
	5,470	4,036
As lessee:		
Within 1 year	**760**	886
After 1 year but within 5 years	**–**	91
	760	977

Operating lease rentals represented rental receivables by the Group for its investment properties under operating lease arrangements, with leases negotiated for 1 to 3 years and rentals are fixed over the lease terms and do not include contingent rentals.

Operating lease payables represented rental payable by the Group to the related companies as referred to in note 28(c) for certain of its offices. Leases are principally negotiated for 1 year and rentals are fixed over the lease terms and do not include contingent rentals.

28. MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2013, the directors are of the view that related parties of the Group include the following individuals:

Name of related party	Relationship with the Group
Chen Jun	Executive director and controlling shareholder of the Company
Zhao Yun	Executive director of the Company

(a) Amount due from a director

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Chen Jun	**–**	508	**–**	–
Maximum balance outstanding during the year	**508**	508	**–**	–

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

(b) Amounts due to directors

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Chen Jun	**547**	–	**2,363**	1,950
Zhao Yun	**915**	937	**915**	937
	1,462	937	**3,278**	2,887

The amounts due are unsecured, interest-free and repayable on demand.

28. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Transactions with related companies

	Group	
	2013	2012
	RMB'000	RMB'000
Rental expenses paid to related companies		
– Building	**625**	481
– Motor vehicle	**124**	64
	749	545

Rental expenses were paid to two related companies, Mr. Chen Jun, a director of the Company is the common director of the two related companies with the Company.

(d) Key management personnel remuneration

Remuneration for key management personnel, including amount paid to the Company's directors as disclosed in note 11 is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**185**	950
Post-employment benefits	**19**	19
Equity compensation benefits	**–**	–
	204	969

Total remuneration is included in staff costs in note 8.

29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

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]
HKFRS 9	Financial instruments[2]

1 Effective for annual periods beginning from 1 January 2014

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

The Group is in the process of making an assessment of what the impact of these amendments is 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 consolidated financial statements.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2009 RMB'000	2010 RMB'000	2011 RMB'000 (Restated)	2012 RMB'000 (Restated)	**2013** **RMB'000**
Results					
Turnover	5,402	9,680	18,157	23,995	**9,702**
Loss from operations	(15,597)	(5,077)	(3,838)	(1,055)	**(2,001)**
Finance costs	–	–	–	–	**–**
Loss before income tax	(15,597)	(5,077)	(3,838)	(1,055)	**(2,001)**
Income tax credit/(expense)	–	(101)	(271)	(129)	**291**
Loss for the year from continuing operations	(15,597)	(5,178)	(4,109)	(1,184)	**(1,710)**
Profit/(loss) from discontinued operation	–	591	(10,991)	(6,192)	**–**
Attributable to:					
Owners of the Company	(15,597)	(4,587)	(15,100)	(7,376)	**(1,710)**

	As at 31 December				
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013** **RMB'000**
Assets and liabilities					
Total assets	62,163	115,965	121,685	125,780	**114,329**
Total liabilities	(11,117)	(25,348)	(21,492)	(32,963)	**(21,570)**
	51,046	90,617	100,193	92,817	**92,759**

PARTICULARS OF INVESTMENT PROPERTIES

Address	Use	Lease Term	Approximate gross floor area (sq. metres)	Group's interest %
19th (currently known as 21st Floor) Huaren International Building No. 2 Shantung Road Shinan District Qingdao City Shandong Province The PRC	Office	Medium-term lease	1,511	100