意科控股

eFORCE HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(STOCK CODE : 943)

ANNUAL REPORT 2013

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Tam Lup Wai, Franky *(Chairman)*
Mr. Liu Liyang *(CEO and Deputy Chairman)*
Mr. Chan Tat Ming, Thomas
(appointed on 7 March 2014)
Mr. Jiang Chunming
(resigned on 18 March 2014)
Madam Lu Mujuan
(resigned on 21 February 2014)
Mr. Luo Xiaohong
Mr. Siswo Awaliyanto
(resigned on 18 March 2013)
Mr. Wan Shouquan
(resigned on 21 February 2014)

Independent Non-executive Directors

Mr. Hua Chi Kit
(appointed on 7 March 2014)
Mr. Lam Bing Kwan
Mr. Lam Ming On
(resigned on 1 August 2013)
Mr. Leung Chi Hung
(appointed on 13 December 2013)
Mr. Li Hon Kuen
(appointed on 19 July 2013)
Mr. Wong Man Chung, Francis
(resigned on 19 April 2013)

AUDIT COMMITTEE

Mr. Li Hon Kuen *(Chairman)*
(appointed on 19 July 2013)
Mr. Hua Chi Kit
(appointed on 7 March 2014)
Mr. Lam Bing Kwan
Mr. Lam Ming On
(resigned on 1 August 2013)
Mr. Leung Chi Hung
(appointed on 13 December 2013)
Mr. Wong Man Chung, Francis
(resigned on 19 April 2013)

REMUNERATION COMMITTEE

Mr. Lam Bing Kwan *(Chairman)*
Mr. Hua Chi Kit
(appointed on 7 March 2014)
Mr. Lam Ming On
(resigned on 1 August 2013)
Mr. Leung Chi Hung
(appointed on 13 December 2013)
Mr. Li Hon Kuen
(appointed on 19 July 2013)
Mr. Liu Liyang
Mr. Tam Lup Wai, Franky
Mr. Wong Man Chung, Francis
(resigned on 19 April 2013)

NOMINATION COMMITTEE

Mr. Tam Lup Wai, Franky *(Chairman)*
Mr. Hua Chi Kit
(appointed on 7 March 2014)
Mr. Lam Bing Kwan
Mr. Lam Ming On
(resigned on 1 August 2013)
Mr. Leung Chi Hung
(appointed on 13 December 2013)
Mr. Li Hon Kuen
(appointed on 19 July 2013)
Mr. Liu Liyang
Mr. Wong Man Chung, Francis
(resigned on 19 April 2013)

COMPANY SECRETARY

Mr. Chan Tsz Leung

AUDITOR

RSM Nelson Wheeler
Certified Public Accountants
29th Floor, Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited

PRINCIPAL REGISTRAR
Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

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

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Suite 3008, Man Yee Building
68 Des Voeux Road Central
Central
Hong Kong

STOCK CODE
943

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tam Lup Wai, Franky ("Mr. Tam")

(Chairman)

Mr. Tam, aged 65, was appointed as Executive Director of the Company on 17 December 2001 and the Chairman of the board of Directors of the Company on 21 July 2011. He was also appointed as a member of the remuneration committee of the Company on 3 July 2007 and the chairman of the nomination committee on 29 March 2012. Mr. Tam holds a BA in Applied Mathematics from the University of California at Berkeley, USA. He has diversified management experiences in the fields of property, retail and technology. He also specializes in formulating and executing business strategies for companies and has experience in the investment of technology start-up. He was previously an administration director of a conglomerate comprises four listed companies in Hong Kong and directly oversaw the administration of the group and responsible in managing several subsidiaries' operations, including properties acquisition, strategic investments and hotel start-up project. Mr. Tam also served as executive director of a Hong Kong publicly listed fashion retail chain store with over 200 outlets in Hong Kong and China and was instrumental in setting up the franchise operation in the PRC before joining the Company in 2001.

Mr. Liu Liyang ("Mr. Liu")

(CEO and Deputy Chairman)

Mr. Liu, aged 53, was appointed as executive Director, Deputy Chairman of the Board and the Chief Executive Officer("CEO") and a member of the remuneration committee of the Company on 19 August 2010. He was further appointed as a member of the nomination committee of the Company on 29 March 2012. Mr. Liu has 16 years of experience in the investment banking industry. Before joining the Company, he was the co-head of the China Investment Banking of Nomura International (HK) Limited. He had also worked in the Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Limited and Morgan Stanley & Co. Inc. Mr. Liu holds an MBA degree from Columbia University.

Mr. Chan Tat Ming, Thomas ("Mr. Chan")

Mr. Chan, aged 48, was appointed as executive Director of the Company on 7 March 2014. Mr. Chan was graduated from York University, Toronto, Canada, with a Business Administration Studies degree. Mr. Chan has over 20 years of experience in administration and operational management in international trade business and also on production process facility in the People's Republic of China.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Jiang Chunming ("Mr. Jiang")

Mr. Jiang, aged 61, was appointed as Executive Director of the Company on 20 December 2011. He holds a professional diploma in mining engineering from the Heilongjiang Mining Institute (黑龍江礦業學院) and a certificate in corporate management of The Association for Overseas Technical Scholarship of Japan (日本海外技術研修者協會) and was appointed as a senior economist of the PRC Ministry of Coal in 1996. Mr. Jiang has close to 40 years of experience in the coal mining industry with many different roles, from being a miner to being a mine manager and from being a Party Secretary to being a general manager. He started as a miner in 1970 at Donghai Coal Mine of Jixi Mining Bureau of Heilongjiang (黑龍江雞西礦務局東海煤礦). From 1981 to 1983, he was a researcher in the Office of Heilongjiang Provincial Coal Industry Administration Bureau (黑龍江省煤炭工業管理局辦公室) and was responsible for the feasibility study for related policies and projects in the mining industry. From 1983 to 1985, he was the Party Committee Secretary of the Northeast and Inner Mongolia Coal Industry Allied Company (東北內蒙古煤炭工業聯合公司). During that time, the Northeast and Inner Mongolia Coal Industry Allied Company was a delegation from the State Council of the PRC and an independent planning unit at the vice-ministerial level. On behalf of the State Council, the Northeast and Inner Mongolia Coal Industry Allied Company was responsible for implementing plans, organizing production and development of all the coal mining enterprises in the northeast three provinces of the PRC and the Inner Mongolia Autonomous Region East Third League. From 1985 to 1990, Mr. Jiang was deputy head of Daqiao Coal Mine Preparatory Office of Liaoning Shenyang Coal Mining Bureau (遼寧瀋陽礦務局大橋煤礦籌備處), mine manager of Puhe Coal Mine of Liaoning Shenyang Coal Mining Bureau (遼寧瀋陽礦務局浦河煤礦) and Deputy Party Secretary of Liaoning Shenyang Coal Mining Bureau (遼寧瀋陽礦務局). From 1990 to 1994, Mr. Jiang was secretary of the League Committee of The Northeast and Inner Mongolia Coal Industry Allied Company and a committee member of the Twelve Central Committee of the PRC Communist Youth League (中國共產主義青年團), responsible for the production and operation technical training of the youth workers. From 1994 to 2005, Mr. Jiang was general manager of Liaoning Coal Industry Import and Export Corporation (遼寧煤炭進出口總公司) and general manager of Dalian Yangguang Industrial Corporation (大連陽光實業公司) whose core business is domestic and foreign coal trading. Since 2005, Mr. Jiang has been the Chairman and President of Qinghai Xibei Resources and Investment Group Co. Limited (青海西北資源投資集團有限公司) and taken charge of investment projects in resources and geological exploration of nonferrous metal. At present, Qinghai Xibei Resources Investment Group Company Limited has invested in nine nonferrous metal geological explorations and is qualified to conduct grade B geological exploration and licensed to sell coal. Mr. Jiang has tendered his resignation as an executive Director of the Company with effect from 18 March 2014.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Madam Lu Mujuan (“Madam Lu”)

Madam Lu, aged 72, was appointed as Executive Director of the Company on 20 December 2011. Madam Lu graduated from Fuxin Mining Institute (阜新煤礦學院), which is currently known as Liaoning Technical University (遼寧工程技術大學), in 1964 with a major of mining equipment manufacture and has over 30 years of coal mining experiences. In 1964, she joined Wuhan Coal Design & Research Institute of Ministry of Coal Industry (武漢煤炭設計研究院) (which is currently known as Wuhan Design & Research Institute of Sino-coal International Engineering Group (中煤國際工程集團武漢設計院) and became a senior engineer. During her tenure at mining operations, Madam Lu was responsible for the design of mining equipment and managed a number of designing projects located in Beijing city, Hebei province, Henan and Hunan province. Madam Lu participated in various projects and some of these projects won a series of awards including the First Prize of Advanced Equipment, Second Prize of National Advanced Equipment by the Ministry of Coal Industry (中華人民共和國煤炭工業部), and the Third Prize of Quality System Certification by Wuhan Coal Design & Research Institute (武漢煤炭設計研究院) (which is currently known as Wuhan Design & Research Institute of Sino-coal International Engineering Group (中煤國際工程集團武漢設計院). Madam Lu has tendered her resignation as an executive Director of the Company on 21 February 2014 and thereafter was engaged by the Company as a consultant for a period of 6 months.

Mr. Luo Xiaohong (“Mr. Luo”)

Mr. Luo, aged 49, was appointed as Executive Director of the Company on 20 December 2011. Mr. Luo has been involved in mineral evaluation work for more than 20 years. He graduated from Chengdu College of Geology (成都地質學院) in 1985 with a major in Mining Studies, specializing in Geology and Mining Investigation. He obtained a title of Senior Engineer in Geology and Mining in 1999 and was qualified as a Mineral Resources Reserves Evaluation Expert of Guangxi Province in 2004. In 2007, he obtained the title of Professor-Level Senior Engineer in Geology and Mining. He acted as Deputy Director-General of the Resources Evaluation Department in Jiangxi Geology Investigation Research Institute (江西省地質調查研究院) from 2006 and was in charge of the work in the Resources Evaluation Department at the end of 2007. In June 2009, he acted as the Deputy Chief Engineer of the Jiangxi Geology 3 Investigation Research Institute and the Director-General of the Resources Evaluation Department. Since 2006, he has been the responsible person of the National Geology Big Investigation Project of “Jiangxi Shangli-Fengxin District Copper Polymetallic Mine Evaluation” (江西上栗—奉新地區銅多金屬礦評價) and “Jiangxi Jiurui District Copper Polymetallic Mine Prospective Study” (江西九瑞地區銅多金屬礦遠景調查).

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wan Shouquan ("Mr. Wan")

Mr. Wan, aged 77, was appointed as Executive Director of the Company on 20 December 2011. Mr. Wan has over 30 years of coal mining experiences including 24 years in coal mine operations. Mr. Wan graduated from Fuxin Mining Institute (阜新煤礦學院), which is currently known as Liaoning Technical University (遼寧工程技術大學), in 1962 with a major in electromechanical engineering. In 1962, he joined No. 1 Mine of Liaoning Tie Fa Coal Mining Bureau (遼寧鐵法礦務局) (currently known as Liaoning Tie Fa Energy Company Limited (遼寧鐵法能源有限責任公司)) and became a junior engineer, mining captain and sub-division chief, deputy chief and engineer. From 1983 to 1988, he was a division chief and senior engineer of Tie Fa Coal Mining Bureau. During 1988 and 1989, he was the chief and senior engineer of Da Long Coal Mine of Tie Fa Coal Mining Bureau (鐵法礦務局大隆礦). From 1989 to 1996, Mr. Wan was vice-chief engineer and professor level senior engineer of Tie Fa Coal Mining Bureau. From 1998 to 2000, Mr. Wan worked for China International Engineering Consulting Corporation (中國國際工程諮詢公司) as a supervisory engineer. During Mr. Wan's tenure at mining operations, he was responsible for production, well construction/expansion, technical control and safety control. Mr. Wan was awarded a number of rewards including Advanced Worker, Technology Improvement Prize and Advanced Scientific and Technological Worker. He was awarded the Second Prize of Scientific and Technological Progress by the China Ministry of Energy (中華人民共和國能源部) for his dissertation on transportation technology in mine well. Mr. Wan was also awarded the First Prize of Scientific and Technological Progress by the China Ministry of Coal Industry (中華人民共和國煤炭工業部) for his coal mining project. Mr. Wan has tendered his resignation as an executive Director of the Company with effect from 21 February 2014 and thereafter was engaged by the Company as a consultant for a period of 6 months.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hau Chi Kit ("Mr. Hau")

Mr. Hau, aged 42, was appointed as an independent non-executive Director and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company on 7 March 2014. Mr. Hua was a barrister-at-law in private practice in Hong Kong from 2001 to 2008. Prior to becoming a barrister, Mr. Hau worked at the Securities and Futures Commission. Mr. Hau is also an independent non-executive director of CNC Holdings Limited (stock code: 8356), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange, and China Zenith Chemical Group Limited (stock code: 362), a company whose shares are listed on the Main Board of the Stock Exchange. Currently, Mr. Hau is a solicitor in private practice.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam Bing Kwan ("Mr. Lam")

Mr. Lam, aged 64, was appointed as an independent non-executive Director and member of the audit committee of the Company on 30 September 2004. He was further appointed as the Chairman of the Remuneration Committee on 1 August 2005 and a member of the nomination committee on 29 March 2012. Mr. Lam graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. Mr. Lam has been in senior management positions in the banking and financial industry for more than 10 years. He is a non-executive Director of Sino-i Technology Limited(stock code: 250) and Nan Hai Corporation Limited (stock code: 680), and an independent non-executive Director of Lai Fung Holdings Limited(stock code: 1125), Lai Sun Development Company Limited (stock code: 488) and Lai Sun Garment (International) Limited(stock code: 191), all of which are companies listed on the Main board of the Hong Kong Stock Exchange (the "Stock Exchange").

Mr. Leung Chi Hung ("Mr. Leung")

Mr. Leung, aged 58, was appointed as an independent non-executive Director of the Company and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company on 13 December 2013. Mr. Leung commenced his accountancy professional training since 1976 and is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants respectively. Mr. Leung is also a fellow of The Taxation Institute of Hong Kong and a Certified Tax Adviser and a member of the Society of Registered Financial Planners in Hong Kong. Mr. Leung is a certified public accountant (practising) in Hong Kong and a Director of Philip Leung & Co. Limited (CPA). Currently, Mr. Leung is an independent non-executive Director of Daido Group Limited (stock code: 544) and Finet Group Limited (stock code: 8317), both of which are companies listed on the Stock Exchange). Mr. Leung is also the chairman of the audit committee and a member of the nomination committee and remuneration committee of Daido Group Limited and the chairman of corporate governance committee and a member of audit committee of Finet Group Limited. From April 2009 until his resignation on 11 April 2011, Mr. Leung was an independent non-executive Director of Temujin International Investments Limited (now known as China Investment Development Limited)(stock code: 204), a company listed on the Stock Exchange.

Mr. Li Hon Kuen ("Mr. Li")

Mr. Li, aged 47, was appointed as an independent nonexecutive Director, the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Company on 19 July 2013. Mr. Li is a Certified Public Accountant (Practising) in Hong Kong with general assurance experience in clients operating in a variety of industries, including textile, construction, property development, freight forwarding, golf club, jewellery manufacturing and trading, application software development and installation, website design and development, manufacturing and ATM operation business. Moreover, Mr. Li has extensive experience in public listings and due diligence in Hong Kong. Mr. Li had worked in Deloitte and as senior audit manager in RSM Nelson Wheeler before setting up Alfred H.K. Li & Co., CPA, in 2013.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Sugahara Toshio ("Mr. Sugahara")

Mr. Sugahara, aged 49, joined the Group in 2007. Mr. Sugahara is the General Manager of Fair form Manufacturing Limited, a wholly-owned subsidiary of the Group, and is responsible for the overall production management and quality control of the Group's manufacturing operation. Mr. Sugahara has obtained a Bachelor Degree in Mechanical Engineering from the University of Brighton (UK) and a Master Degree of Business Administration from the University of South Australia. He is a member of the Institution of Engineering and Technology (UK) and has extensive working experience in project engineering, product research and development and production management.

Mr. Wong Sze Yat, Robert ("Mr. Wong")

Mr. Wong, aged 50, joined the Group in 1998. Mr. Wong is the Marketing Director of Fair form Manufacturing Limited and is responsible for sales and marketing function of the Group's manufacturing operation. Mr. Wong has a Diploma in Business Studies from the SalfordTechnology College (UK). Mr. Wong has over 20 years of working experience in marketing small household electrical appliances and household products.

Mr. Chan Tsz Leung ("Mr. Chan")

Mr. Chan, aged 47, is the Company Secretary of the Company. Mr. Chan is a member of CPA Australia. Mr. Chan holds a Bachelor degree in Commerce from the Murdoch University, Western Australia, Australia. Mr. Chan joined the Group in 2004 as Accountant and had working experience in Hong Kong, Singapore and the PRC.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of eForce Holdings Limited(the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the financial year ended 31 December 2013.

REVIEW AND PROSPECT

The recovering trend of the manufacturing sector in China remained uneven during the first half of 2013 but began to stabilise on the back of a modest rebound of new orders in the second half of 2013. Driven by the recovering trend in particular in the second half of 2013 and compounded by customer launching of new and facelift models, stable raw material prices and improving production efficiency, our manufacturing business segment had recorded a profit of HK$2.5 million from a loss of HK$ 2.0 million in 2012.

Apart from the downside risks of the global financial stability, rising production cost will remain the major challenge to our performance in 2014. A Hong Kong Trade Development Council survey carried out in March 2014 found that 71% of responding Hong Kong companies experienced a rise in labour costs on the mainland when compared to the previous quarter. The Group has been constantly looking for ways to innovate work processes so as to improve productivity and enhance operational efficiencies in order to maintain our competitiveness.

Coal price has been in a downward trend since 2011 and is expected will stay low in the foreseeable future as supplies are adequate. In view of the gloomy outlook of coal price and the difficulty in negotiating with the landowners and villagers, we will adjust our business strategies for the coal mining business in 2014. Apart from conducting a thorough review of the PT Bara mine, and in order to resolve the problem with the landowners and villagers, we will consider looking for local partner to operate the mine. Further announcement will be made as and when appropriate.

Global financial and economic uncertainties continue to put pressure on margins and profitability. Competition is expected to remain keen. As such, the Group will continue to seek growth opportunities both within our existing business and in new business areas where we can leverage our competitive advantages to broaden and improve our profitability in the future.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express our utmost appreciation of the continuing supports of our shareholders, business partners and parties from various fields, and also of the contribution and dedication of our management and dedicated staff in previous year.

Tam Lup Wai, Franky
Chairman and Executive Director
26 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Results for the year

Turnover of the Group for the year ended 31 December 2013 amounted to HK$166 million, which represented an increase of 11% as compared to HK$149.5 million in 2012.

The consolidated loss of the Group for the year ended 31 December 2013 amounted to HK$108.2 million. This represented an decrease of approximately HK$94.2 million or 47% as compared to the loss of HK$202.4 million in 2012.

Following is a review of the principal activities of the Group engaged in 2013.

Manufacturing business

The manufacture and sale of healthcare and household products continue remained as the Group's core business and the only contributor of the Group's turnover in 2013.

As mentioned in our Interim Report 2013, the turnover has already increased by 5% in the first half of 2013 mainly due to a major customer launching new models of products to replace old ones. Such trend continued in the second half of the year and turnover for the whole year was increased to HK$166 million or by 11% as compared to HK$149.5 million in 2012. Gross profit was increased by HK$8.6 million to HK$40.3 million (2012: 31.7 million). The increase in gross profit was mainly attributable to increase in turnover, stable raw material prices and improving production efficiency. Overall, the manufacturing business recorded a segmental profit of HK$2.5 million (2012: loss of HK$2 million) which was attributable to the combine effect of improved gross margin and appreciation of RMB during the year under review.

Coal mining business

As the Group had not yet started any mining production at the Group's coal mine project in Central Kalimantan Province in the Republic of Indonesia ("PT Bara Mine"), no revenue was recognized for 2013.

Worldwide economy remain weak. And demand for coal was driven decreased. On the other hand coal supply increased while coal production capacity further expanded.

As a result of sluggish demand and oversupply in the past two years, coal price went down significantly. As at the end of 2013, the average price of Bohai Bay Thermal Coal Price Index had dropped RMB114 per tonne to RMB590 per tonne, representing a year-on-year decrease of 16%. According to the Indonesian Coal Price Reference (HBA), price for PIC Coal (4200 kcal/kg GAR) dropped from its peak of US$59.9 per tonne in February 2011 to its trough of US$36.01 per tonne in October 2013 representing a 40% decrease amid slowing economic growth in China, the top consumer of the thermal coal market for Indonesia, and an excessive coal supply from the region. During most of 2013, the HBA for PIC Coal remained under US$40 per tonne. These price changes highlight the fact that imbalance supply-and-demand of coal has made coal development and production uneconomical in particular for small and medium-sized coal mines. Under this circumstance, it is not a good or best use of the Company's resources to develop the PT Bara mine.

MANAGEMENT DISCUSSION AND ANALYSIS

There had been ongoing negotiations between the local management and the landowners and villagers during the whole year of 2013 and as disclosed in the Company's Interim Report 2013, the Company considered that the compensation demanded by some landowners and villagers was not justified as coal price remained low in 2013. Accordingly the local management had made a general offer to the landowners and villagers based on recommendation worked out by consultant and them. Only about one third of the landowners and villagers had given verbal acceptance. Others had either rejected the offer or taken a wait-and-see attitude. In view of their response, the local management had considered to modify its existing plans for infrastructural work and initial production locations but concluded it was not viable as coal price remained relatively low in 2013. As such, there was no exploration activity, development activity and mining activity carried out by the Group during 2013. In addition, there were no contracts or commitments entered into for arrangement of infrastructure building, mining subcontracting and equipment purchasing during 2013.

Given the unfavorable coal market environment and difficulty in negotiation on land use, the Group selected to extend its schedule of coal mine development and production, for the best interest of the shareholders.

No capital expenditure was incurred on mining infrastructure as there was no development activity during 2013. Operating expenses related to the Group's mining business charged to statement of profit or loss and other comprehensive income were mainly administrative expenses and amounted approximately HK$ 7 million for the year ended 2013.

As at the date of this report, no substantial development has been made since the end of 2013. The Company will inform the shareholders of the Company of any further development in the operation of the PT Bara Mine as and when appropriate.

The coal resource estimates as at 31 December 2013 were as follows:

	Coal Resource Estimate (in thousand tonnes)			
JORC Category	**As at 31 December 2012**	**As at 31 December 2013**	**Change in %**	**Reason of change**
Measured	8,705	8,705	Nil	N/A
Indicated	11,537	11,537	Nil	N/A
Inferred	6,097	6,097	Nil	N/A
Total	26,339	26,339		

MANAGEMENT DISCUSSION AND ANALYSIS

The above estimates of the PT Bara Mine were same as in the report dated 2 June 2011 (the "2011 Report") prepared by Roma Oil and Mining Associates Limited ("Roma") under the JORC Code because there was no material change to the project since then. Two reviews were done by Roma in February 2012 and 2013 respectively. Both reviews confirmed there was no material change to the project during 2011 and 2012 and the coal resources estimates as of 31 December 2011 and 31 December 2012 were the same as in the 2011 Report. An internal review was carried out in January 2014 by the manager of development and mine operation of the PT Bara Mine's local management team who is a geologist by training with over 20 years experiences in the coal mining business in Indonesia. As no exploration and mining activity had been carried out in 2013 and therefore no material change to the PT Bara Mine since the end of 2012, the coal resources estimates as of 31 December 2013 were the same as of 31 December 2012.

The Company had also engaged a third party valuer, Greater China Appraisal Limited ("GCA") to assist the management to determine the fair value (the "Valuation 2013") of the Group's exploration and evaluation assets, i.e. the PT Bara Mine, in accordance with the International Valuation Standards (2013 Edition) on business valuation published by International Valuation Standards Council. Accordingly, an impairment loss of HK$29 million was recognized for 2013 (2012: HK$182 million) being the carrying amount of the PT Bara Mine that exceeded its recoverable amount at 31 December 2013.

GCA had performed the valuation on the basis of fair value which is defined as "the fair price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". Generally, the valuation of any asset can be classified into one of the three approaches, namely the cost approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset. GCA, after considering all the three approaches, had applied the market approach whereas the income approach applied in previous years. The reasons for the change in the valuation approach from those previously adopted were as follows:

1. Income approach used previously is no longer appropriate due to certain change(s) of assumption(s) adopted

   As disclosed in the Company's 2012 Annual Report and 2013 Interim Report, we had found that negotiations of terms for the acquisition and/or relinquishment of surface rights of land necessary for the commencement of works in connection with the PT Bara Mine were more protracted than expected. As such the first year of production was already delayed from the original plan in 2014 to 2015. Moreover, the changes in market conditions from 2011 to 2013 with low coal price level and decreasing demand had also rendered the assumptions in the use of the income approach inappropriate as projected operation margin does not show any profitability which indicated it is untimely to initiate production in the foreseeable future. Due to such uncertainty, making an assumption to start production within a reasonable timeframe, which form the basis for the use of the income approach, would not be considered as appropriate any more.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Market approach resulted in a measurement that is equally or more representative of fair value under the present circumstances

In the market approach, value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should approximate one another. For the market approach to be used, there must be a sufficient number of comparable companies/transaction to make comparisons, or, alternatively, the industry composition must be such that meaningful comparisons can be made.

There are three different methods and variations under this approach, namely Broad-based Method, Comparable Transaction Method and the Industry Multiples Method. GCA had considered all of them and applied Comparable Transaction Method because data and information are available for comparatively recent completed market transactions for a number of Indonesian projects with similar characteristics to the PT Bara Mine in terms of stage of development, type of mineral and overall exploration potential and therefore these are considered appropriate to use as a basis for a comparable transaction valuation. In each case, the transaction cost in US Dollars per tonne of coal has been established.

An underlying assumption when using the Comparable Transaction Method is that the terms negotiated and agreed are linked to the coal price at the time of the transaction. Therefore, to compare any project transaction to the Mineral Asset as at the Valuation Date, it is necessary to establish what the likely transaction value would have been if it had occurred at that date. GCA has done this by adjusting the actual transaction parameters at the date of the transaction to the change in coal prices by multiplying the acquisition parameters by the following 'normalising' factor:

US$80.31/tonne (as at 31 December 2013) divided by the US$ coal price at the date of the transaction of the comparable project

The comparable transactions involving coal projects in Indonesia in the last 5 years are set forth in the table below:

	Completion Date	Target Name	Acquirer Name	Location	Percentage *(%)*	Consideration *(US$ million)*
1	27 Jun 2010	Maruwai Coal Project	Adaro Energy	East and Central Kalimantan	25%	335.00
2	03 Nov 2009	Fajar Bumi Sakti PT	Bumi Resources	East Kalimantan	77%	226.48
3	19 Jul 2012	Ganda Alam Makmur PT	LG International Corp	Kalimantan	60%	212.57

Source: Bloomberg

MANAGEMENT DISCUSSION AND ANALYSIS

The relevant coal prices used for the comparable transactions are shown in table below:

Completion Date	Event	Coal Price[1] *(US$/t)*
31 Dec 2013	GCA Effective Valuation Date for the PT Bara Mine	80.31
27 Jun 2010	Adaro Energy purchases Maruwai Coal Project	97.22
03 Nov 2009	Bumi Resources purchases Fajar Bumi Sakti PT	68.99
19 Jul 2012	LG International Corp purchases Ganda Alam Makmur PT	81.69

Note 1: Proxy using Harga Batubara Acuan(HBA), which is a thermal coal international price reference published by Indonesia's Ministry of Energy and Minescalculated using monthly price average based 25% on Platts Kalimantan 1 (5,900 kcal/kg GAR) assessment; 25% on the Argus-Indonesia Coal Index 1 (6,500 kcal/kg GAR); 25% on the Newcastle Export Index --formerly the Barlow-Jonker index (6,322 kcal/kg GAR) of Energy Publishing; and 25% on the globalCOAL Newcastle (6,000 kcal/kg NAR) index.

To utilize the comparable transactions above in valuing the PT Bara Mine, it is necessary to establish the in-ground coal endowment of the PT Bara Mine. Below is the attributable coal resources of the PT Bara Mine:

Resources Category	Coal Resources Tonnage *(Million Tonne)*	GCA Factor	GCA Factorised Tonnes *(Million Tonne)*
Measured	8.70	100%	8.70
Indicated	11.50	100%	11.50
Inferred	6.10	0%	–
Total	26.30		20.20

Consequently using an attributable coal endowment for the PT Bara Mine of 20 million tonnes (rounded) and the comparable transaction US$/tonne range indicated from the relevant coal prices used for the comparable transactions, GCA come up with a range of HK$179.2 million to HK$376.3 million and average of HK$251.3 million *(Exchange rate used: US$1 = HK$7.7540)* which was below the carrying value of the PT Bara Mine of HK$280.0 million, resulting in an impairment charge of HK$29 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Others

Other income decreased by HK$40.9 million to HK$2 million was mainly attributable to a fair value loss of HK$21.6 million on derivative components of the outstanding convertible bonds of the Company issued in July 2011 while a fair value gain of HK$40.7 million was recorded in previous year.

Finance costs slightly increased by HK$0.8 million to HK$28.2 million (2012: HK$27.4 million). Administrative expenses and distribution costs in 2013 were maintained at about the same level as the previous year.

BUSINESS OUTLOOK

Although global economic activity has strengthened during the second half of 2013 and is expected to improve further in 2014 on account of recovery in the advanced economies, downside risks to financial stability remain a concern due to the U.S. Federal Reserve has begun tapering its quantitative easing measures in January 2014. Full recovery is unlikely and will be uneven in different market and economies. Therefore, the management is caution about growth in the Company's manufacturing business in 2014 and will continue to put our focus on product development and cost rationalization in meeting any challenges ahead.

Coal has been in a bear market since March 2012 after dropping 20 percent from its peak in January 2011(Source: Bloomberg) and remained at a low level throughout 2013. We expect coal price will remain low in 2014 as there are adequate supplies in the market. In view of the gloomy outlook of coal price and the difficulty in negotiating with the landowners and villagers, the Company will adjust its business strategies for the coal mining business in 2014. We will conduct a full review of the PT Bara mine and in order to resolve the problem with the landowners and villagers, we will consider looking for local partner to operate the mine. Further announcement will be made as and when appropriate.

FINAL DIVIDEND

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

LIQUIDITY AND FINANCIAL RESOURCES

Cash position

As at 31 December 2013, the Group had cash and bank deposits of HK$13.4 million (2012: HK$42.1 million, which included a pledged bank deposits of HK$1.5 million) and a foreign currency deposits denominated in Renminbi ("RMB") amounted to HK$7.88 million (2012: HK$3.98 million).

Current ratio

As at 31 December 2013, the Group had net current liabilities of HK$206.2 million (2012 net current assets: HK$57.5 million) and current ratio (being current assets over current liabilities) of 0.36 (2012: 1.6).

MANAGEMENT DISCUSSION AND ANALYSIS

Debts and borrowings

As at 31 December 2013, the Group had total debts and borrowings of HK$479.7 million (2012: HK$453 million) including unsecured loan form financial institute and secured bank loan and factoring loan of HK$17.3 million (2012: HK$17.2 million), unsecured other loans of HK$6.5 million (2012: HK$6.5 million) and convertible of HK$455.9 million (2012: HK$429.3 million).

Gearing ratio

The Group's gearing ratio measured by net debts (being total of bank loan and convertible bonds less total cash) divided by equity attributable to equity holders of the Company is not applicable as the Group had a net deficiency in capital as at 31 December 2013 and 31 December 2012.

Financial resources

Although the Group had sustained recurrent losses and had a net current liabilities of HK$206 million and net liabilities of HK$136 million as at 31 December 2013, based on its latest forecast the Directors are of the opinion that the Group has fund at a level sufficient to finance the working capital requirements of the Group.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES, INTEREST RATES AND RELATED HEDGES

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars ("HKD"), United States dollars ("USD") and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management will monitor the Group's foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise and appropriate instrument be available.

The interest rates profile of the Group's borrowings comprises a mixture of fixed and floating rates. The Group does not hedged against interest rates risk as the management does not foresee the impact of any fluctuation in interest rates to be material to the Group.

FUND RAISING ACTIVITIES

The Group did not carry out any fund raising activities during the year under review.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Group had neither any material acquisition nor disposal in 2013.

MATERIAL CONTINGENT LIABILITIES

The Group is not aware of any material contingent liabilities as at 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group had 26 employees (2012: 25) in Hong Kong, 676 employees (2012: 727) in PRC and 15 employees (2012: 14) in Indonesia. Employees' remuneration are given and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Group's business results and employees' individual merit.

The Company has an option scheme which was approved in a shareholders' special general meeting on 3 March 2010 (the "Share Option Scheme 2010"). Under the Share Option Scheme 2010, the Company may offer to any persons who the Board considered,in its sole discretion, have contributed or will contribute to the Group. Details of the Share Option Scheme 2010 were set out in the Company's circular on 11 February 2010. No share options were granted or exercised during the year under the Share Option Scheme 2010.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board of Directors of the Company (the "Board") commits to maintain and ensure high standards of corporate governance and has adopted the provisions contained in the Code on Governance Practices ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2013 except for the deviations as disclosed in this report. This report also outlines the main corporate governance processes and practices adopted by the Company with specific reference to the provisions of the Code.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Company is led and controlled through the Board. Apart from its statutory responsibilities, the Board sets the Group's overall business and financial strategies as well as setting policies on various matters including major investments, key operational targets and financial control.

Following is the list of Directors during the year under review:

Executive Directors
Mr. Tam Lup Wai, Franky *(Chairman)*
Mr. Liu Liyang *(CEO and Deputy Chairman)*
Mr. Jiang Chunming (resigned on 18 March 2014)
Madam Lu Mujuan (resigned on 21 February 2014)
Mr. Luo Xiaohong
Mr. Siswo Awaliyanto (resigned on 18 March 2013)
Mr. Wan Shouquan (resigned on 21 February 2014)

Independent Non-executive Directors ("INED")
Mr. Lam Bing Kwan
Mr. Lam Ming On (resigned on 1 August 2013)
Mr. Leung Chi Hung (appointed on 13 December 2013)
Mr. Li Hon Kuen (appointed on 19 July 2013)
Mr. Wong Man Chung, Francis (resigned on 19 April 2013)

CORPORATE GOVERNANCE REPORT

The profiles of the Directors' qualifications and experience are set out on pages 4 to 8 of this annual report and at least one of the INEDs possesses recognized professional qualification in accounting. The Board is of the view that its current composition provides the necessary skill and experience for the requirements of the Group's business.

All INEDs have confirmed in writing to the Company that they meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules.

During the year ended 31 December 2013, the Company has complied with all provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except for the following:

(a) Provision A.4.1 stipulates that independent non-executive Directors ("INEDs") should be appointed for a specific term and subject to re-election. During the year under reviewed, all INEDs of the Company were not appointed for a specific term but were subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company except for Mr. Li Hon Kuen and Mr. Leung Chi Hung who were appointed for initial term of one year commenced on 19 July 2013 and 13 December 2013 respectively. As Directors' appointment will be reviewed when they are due for reelection thus the Company is of the view that this meets the same objectives of the said code provision.

(b) According to Rule 3.10A, the Company was required to appoint independent non-executive directors representing at least one-third of the Board Company by 31 December 2012. From 1 January 2013 to 18 March 2013, the Board comprised of a total of seven executive Directors and three independent non-executive directors. As such, the Company was not complied with Rule 3.10A.

(c) From 19 April 2013 to 19 July 2013 and from 1 August 2013 to 13 December 2013, due to the resignation of Mr. Wong Man Chung, Francis and Mr. Lam Ming On as INEDs respectively, the Company was not complied with:

i. Rule 3.10(1): the Board does not include at least three independent non-executive Directors;

ii. Rule 3.10A: the Board does not appoint independent non-executive Directors representing at least one-third of the Board;

iii. Rule 3.21: the Audit Committee does not comprise at least three members;

iv. Rule 3.25: the Remuneration Committee does not comprise a majority of independent non-executive Directors; and

v. Provision A.5.1: the Nomination Committee does not comprise a majority of independent non-executive Directors.

DIRECTORS' TRAINING

Newly appointed Directors will be provided with necessary induction and information to ensure he/she has a proper understanding of the Group's operations and businesses as well as his/her responsibilities under the Listing Rules and the other applicable regulatory requirements.

The Company also provides Directors with updates on changes regarding the Listing Rules and other applicable regulatory requirements from time to time so as to ensure compliance and enhance their awareness of good corporate governance practices. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. In addition, an in-house training session on regulatory update was organized for Directors during the year by the Company. Directors are requested to provide the Company with a record of the training they received.

CORPORATE GOVERNANCE REPORT

	Type of Trainings	
	Attending seminars/in-house training on regulatory development or directors' duties	**Reading updates on regulatory development or directors' duties**
Executive Directors		
Mr. Tam Lup Wai, Franky	✓	✓
Mr. Liu Liyang	✓	✓
Mr. Jiang Chunming	✓	✓
Madam Lu Mujuan	✓	✓
Mr. Luo Xiaohong	–	✓
Mr. Siswo Awaliyanto[1]	N/A	N/A
Mr. Wan Shouquan	✓	✓
Independent Non-executive Directors		
Mr. Lam Bing Kwan	✓	✓
Mr. Lam Ming On[1]	N/A	N/A
Mr. Leung Chi Hung	✓	✓
Mr. Li Hon Kuen	✓	✓
Mr. Wong Man Chung, Francis[1]	N/A	N/A

Note:

1 These Directors resigned in 2013

AUDIT COMMITTEE

The Company's Audit Committee was established in December 1999. Following were the members during 2013:

Mr. Li Hon Kuen *(Chairman)* (appointed on 19 July 2013)
Mr. Lam Bing Kwan
Mr. Lam Ming On (resigned on 1 August 2013)
Mr. Leung Chi Hung (appointed on 13 December 2013)
Mr. Wong Man Chung, Francis (resigned on 19 April 2013)

The Audit Committee has adopted terms of reference which are in line with the Code. The primary function of the Audit Committee is to review and monitor the Group's financial reporting process and internal controls. It is also responsible for making recommendation to the Board for the appointment, reappointment or removal of the external auditor.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2013, the Audit Committee had reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the audited financial statements and unaudited interim financial statements. The Audit Committee also reviewed the resources, qualifications and experience of staffs of the Group's accounting and financial reporting function, and their training and budget, and was satisfied with their adequacy.

REMUNERATION COMMITTEE

The Company's Remuneration Committee was established in August 2005. Following were the members during 2013:

Mr. Lam Bing Kwan *(Chairman)*
Mr. Lam Ming On (resigned on 1 August 2013)
Mr. Leung Chi Hung (appointed on 13 December 2013)
Mr. Li Hon Kuen (appointed on 19 July 2013)
Mr. Liu Liyang
Mr. Tam Lup Wai, Franky
Mr. Wong Man Chung, Francis (resigned on 19 April 2013)

The Remuneration Committee has adopted terms of reference which are in line with the Code to make recommendations to the Board to determine the remuneration of Directors and senior management.

During 2013, the Committee had assessed the performance of the executive directors and senior management and considered their remuneration by reference to their experiences and remuneration paid by comparable companies. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 14 to the financial statements.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company's Nomination Committee was established on 29 March 2012. Following were the members during 2013:

Mr. Tam Lup Wai, Franky *(Chairman)*
Mr. Lam Bing Kwan
Mr. Lam Ming On (resigned on 1 August 2013)
Mr. Leung Chi Hung (appointed on 13 December 2013)
Mr. Li Hon Kuen (appointed on 19 July 2013)
Mr. Liu Liyang
Mr. Wong Man Chung, Francis (resigned on 19 April 2013)

The Nomination Committee has adopted terms of reference which are in line with the Code. The primary functions of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of INEDs.

During the year ended 31 December 2013, the Committee had reviewed the structure, size and composition of the Board and interviewed potential candidate for INEDs. No actual meeting was held by the Nomination Committee during the year but members meet and communicate as and when required.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD, AUDIT COMMITTEE AND REMUNERATION COMMITTEE MEETING

The total number of the meetings and the individual attendance of each Director during the year ended 31 December 2013 were as follows:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee[1]	2013 Annual General Meeting
Executive Directors					
Mr. Tam Lup Wai, Franky (Chairman of the Board and Nomination Committee)	7/7	N/A	1/1	–	1/1
Mr. Liu Liyang (CEO and Deputy Chairman of the Board)	7/7	N/A	1/1	–	0/1
Mr. Jiang Chunming	3/7	N/A	N/A	N/A	1/1
Madam Lu Mujuan	3/7	N/A	N/A	N/A	1/1
Mr. Luo Xiaohong	1/7	N/A	N/A	N/A	1/1
Mr. SiswoAwaliyanto (resigned on 18 March 2013)	0/0	N/A	N/A	N/A	0/0
Mr. Wan Shouquan	3/7	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Lam Bing Kwan (Chairman of the Remuneration Committee)	4/7	3/3	1/1	–	1/1
Mr. Lam Ming On (resigned on 1 August 2013)	1/4	1/1	1/1	–	1/1
Mr. Leung Chi Hung (appointed on 13 December 2013)	0/0	0/0	0/0	–	0/0
Mr. Li Hon Kuen (appointed on 19 July 2013) (Chairman the Audit Committee)	2/2	2/2	0/0		0/0
Mr. Wong Man Chung, Francis (resigned on 19 April 2013)	1/2	1/1	1/1	–	0/0

Note:
1. No meeting was held by the nomination committee during the year.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparing of the financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results, and cash flows for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates on a going concern basis.

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK$108 million for the year ended 31 December 2013 and as at 31 December 2013 the Group had net liabilities of approximately HK$136 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's attainment of profitable and positive cash flow operations and the Group's successful fund raising activities to obtain necessary fund at a level sufficient to finance the working capital requirements of the Group. Based upon the Company's latest forecast, Directors have a reasonable expectation that the Group will has adequate or access to resources to obtain necessary fund at a level sufficient to finance the working capital requirements of the Group. Therefore it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

AUDITOR'S RESPONSIBILITIES AND REMUNERATION

The statement of RSM Nelson Wheeler regarding their report responsibilities is set out in the Independent Auditor's Report on pages 36 to 37 of this annual report. During the year, the Group engaged RSM Nelson Wheeler to perform audit and non-audit related services and incurred audit and non-audit service fees of HK$750,000 (2012: HK$730,000) and HK$8,000 (2012: HK$23,000) respectively.

INTERNAL CONTROLS

The Board has the overall responsibilities for the Group's internal control system and has adopted a set of internal controls, which facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with relevant laws and regulations. The system is designed to minimize risks of failure to achieve corporate objectives.

The Company had reviewed the effectiveness of the Group's certain internal control system in 2013 and had reported the results to the Audit Committee.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Chan Tsz Leung has undertaken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

The annual general meeting provides a useful channel for shareholders to communicate with the Board. All shareholders have at least 20 clear business days' notice of annual general meeting at which Directors are available to answer questions on the Company's affair. Separate resolutions are proposed at the annual general meeting on each substantially separate issue, including the election of individual Director. Pursuant to Rule 13.39 of the Listing Rule, any votes of the shareholders at a general meeting must be taken by poll.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting by Shareholders

Pursuant to Bye-law 58, a special general meeting may be convened by the Board upon requisition by any shareholder holding at the date of deposit of the written requisition not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the head office and principal place of business of the Company in Hong Kong, specifying the shareholding information of the shareholder, their contact details and the proposal regarding any specified transaction/business and its supporting documents. The Board shall arrange to hold such general meeting within two months after the receipt of such written requisition. If within twenty one days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the shareholder shall do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Putting Forward Proposals at General Meetings

Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by the procedures as set out in the above "Convening of extraordinary general meeting by Shareholders".

Putting Forward Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's head office and principal place of business in Hong Kong at Suite 3008, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong.

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 35 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the year ended 31 December 2013 are set out in note 10 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	33%	–
Five largest customers in aggregate	83%	–
The largest supplier	–	7%
Five largest suppliers in aggregate	–	31%

At no time during the year have the Directors, their associates or any shareholders of the Company(which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interesting in these major customers and suppliers.

FINANCIAL STATEMENTS

The Group's results for the year ended 31 December 2013 and the state of the Group's affairs as at that date are set out in the financial statements on pages 38 to 41.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2013.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2013 are set out in note 34 to the financial statements and the consolidated statement of changes in equity on page 42 of this annual report.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2013 are set out in note 19 to the financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

Particulars of the Company's subsidiaries, associates and joint venture are set out in notes 35, 20 and 21 respectively to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2013 are set out in note 32 to the financial statements.

SHARE OPTIONS AND CONVERTIBLE BONDS

Details of share options and convertible bonds in issued and their subsequent conversion are set out in page 31 of this annual report and note 30 to the financial statements respectively.

DIRECTORS

The Directors during the year were:

Executive Directors

Mr. Tam Lup Wai, Franky *(Chairman)*
Mr. Liu Liyang *(CEO and Deputy Chairman)*
Mr. Jiang Chunming *(resigned on 18 March 2014)*
Madam Lu Mujuan *(resigned on 21 February 2014)*
Mr. Luo Xiaohong
Mr. Siswo Awaliyanto *(resigned on 18 March 2013)*
Mr. Wan Shouquan *(resigned on 21 February 2014)*

Independent non-executive Directors

Mr. Lam Bing Kwan
Mr. Lam Ming On *(resigned on 1 August 2013)*
Mr. Leung Chi Hung *(appointed on 13 December 2013)*
Mr. Li Hon Kuen *(appointed on 19 July 2013)*
Mr. Wong Man Chung, Francis *(resigned on 19 April 2013)*

REPORT OF THE DIRECTORS

The Directors appointed after the year ended 31 December 2013 but before the latest practicable date prior to the printing of this report were:

Executive Directors
Mr. Chan Tat Ming, Thomas *(appointed on 7 March 2014)*

Independent non-executive Directors
Mr. Hau Chi Kit *(appointed on 7 March 2014)*

Pursuant to Bye-law 86(2), the Directors shall have the power from time to time and at any time to appoint any person as a Director, either to fill a casual vacancy on the Board or as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Shareholders in general meeting. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting (but shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation at such meeting).Accordingly, Mr. Leung Chi Hung (appointed on 13 December 2013), Mr. Li Hon Kuen (appointed on 19 July 2013), Mr. Chan Tat Ming, Thomas (appointed on 7 March 2014) and Mr. Hau Chi Kit (appointed on 7 March 2014) will retire from office and being eligible, will put themselves up for re-election.

Pursuant to Bye-law 87, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. Accordingly, Mr. Liu Liyang and Mr. Luo Xiaohong will retire from office by rotation and being eligible, will put themselves up for re-election.

The Company confirmed that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 and the Company still considers the independent non-executive Directors to be independent.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACT

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract, which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

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

As at 31 December 2013, none of the Directors nor their associates had any interests and short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEME

The Company has an option scheme which was approved in a shareholders' special general meeting on 3 March 2010 (the "Share Option Scheme 2010"). Under the Share Option Scheme 2010, the Company may offer to any persons who the Board considers, in its sole discretion, have contributed or will contribute to the Group. Details of the Share Option Scheme 2010 were set out in the Company's circular on 11 February 2012. No share options were granted or exercised during the year under the Share Option Scheme 2010.

Save as disclosed above, none of the Directors or chief executive of the Company or their spouses or children aged below 18 had any right to subscribe for equity or debt securities of the Company or had exercised any such right during the year under review.

DIRECTORS' EMOLUMENTS

Particulars of the Directors' emoluments disclosed pursuant to section 161 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 14 to the financial statements.

REPORT OF THE DIRECTORS

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

As at 31 December 2013, the following persons had interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long positions of substantial shareholders in the shares and underlying shares

Name of shareholder	Capacity/Nature of interests	Number of shares held	Number of underlying shares held	% of total issued shares
Early State Enterprises Limited	Beneficial owner	37,558,960	–	20.54%
Mr. Lee Fook Kheun ("Mr. Lee")* *(Note 1)*	Interest in controlled corporation	37,558,960	–	20.54%
Gloss Rise Limited ("Gloss Rise") *(Note 2)*	Beneficial owner	–	308,108,108 *(Note 4)*	168.47% *(Note 4)*
Low Thiam Herr ("Mr. Low") *(Note 3)*	Interest in controlled corporation	–	308,108,108 *(Note 4)*	168.47% *(Note 4)*

Note 1: 37,558,960 shares were held by Early State Enterprises Limited which was wholly-owned by Mr. Lee and he was the sole director of Early State Enterprises Limited.

Note 2: HK$200,000,000 of Series A convertible bonds and HK$300,000,000 Series B convertible bonds were issued by the Company to Gloss Rise as consideration to acquire the PT. Bara Mine on 13 July 2011. Subsequently the Company redeemed HK50,000,000 of the Series B convertible bonds on 27 July 2011. As at 31 December 2013, HK$200,000,000 of Series A convertible bonds and HK$250,000,000 of Series B convertible bonds were still outstanding.

Note 3: Mr. Low indirectly held 40% of the issued capital of Gloss Rise. By virtue of the SFO, Mr. Low had deemed interests in the convertible bonds of the Company held by Gloss Rise.

Note 4: Assume full conversion of all outstanding Series A convertible bonds at HK$1.85 per share (i.e.108,108,108 new shares may be issued) and Series B convertible bonds at HK$1.25 per share (i.e.200,000,000 new shares may be issued) based on the total number of 182,877,071 shares in issue as at 31 December 2013.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2013, the Company according to the records required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short positions in the shares or underlying shares of the Company.

DIRECTORS' INTERESTS IN CONTRACT

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2013.

DISTRIBUTABLE RESERVES

The Company's share premium account, with a balance of HK$1,556,959,000 as at 31 December 2013, may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares.

The Company's contributed surplus account, with a balance of HK$237,767,000 as at 31 December 2013, is distributable subject to satisfaction of certain solvency requirements and the Company may apply the contributed surplus in any manner not prohibited by the Companies Act and the Bye-law of the Company.

Save as disclosed above, the Company had no reserves available for distribution to shareholders of the Company, as computed in accordance with the Companies Act 1981 of Bermuda.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONNECTED TRANSACTIONS

There were no material transactions that need to be disclosed as connected transactions in accordance with the requirement of the Listing Rules.

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

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

REPORT OF THE DIRECTORS

LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Particulars of loans from banks and other financial institutions of the Group as at 31 December 2013 are set out in note 27 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 112 of this annual report.

PENSION SCHEME

The Group operates a mandatory provident fund scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees.

Under the MPF Scheme, the employer makes contributions to the scheme at 5%-10% and employees are required to make 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000. Mandatory contributions to the scheme vest immediately.

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans("Plans") organized by local authorities for the Group's employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other material obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

Details of the pension scheme contributions of the employees, net of forfeited contributions, which have been dealt with in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013, are set out in note 31 to the financial statements.

CORPORATE GOVERNANCE

The Company complied with all requirements set out in the Code except for the deviations disclosed in the "Corporate Governance Report" of this annual report.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an Audit Committee was established on 28 December 1999 with written terms of reference. As at the date of this annual report, the Audit Committee comprising four independent non-executive Directors, namely Mr. Li Hon Kuen (Chairman of the Audit Committee), Mr. Hau Chi Kit, Mr. Lam Bing Kwan and Mr. Leung Chi Hung. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

REPORT OF THE DIRECTORS

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of the annual report, there was a sufficient public float of the Company.

AUDITOR

The financial statements of the Company for the year under review have been audited by RSMNelson Wheeler, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By Order of the Board
Tam Lup Wai, Franky
Chairman and Executive Director

Hong Kong, 26 March 2014

INDEPENDENT AUDITOR'S REPORT

RSM
Audit • Tax • Advisory

TO THE SHAREHOLDERS OF
eFORCE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of eForce Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 111, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY *(Continued)*

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

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

OPINION

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

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

Without qualifying our opinion, we draw attention to note 2 to the financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK$108,152,000 for the year ended 31 December 2013 and as at 31 December 2013 the Group had net current liabilities and net liabilities of approximately HK$206,159,000 and HK$136,043,000 respectively. In addition, as mentioned in note 30 to the financial statements, the maturity date of series B convertible bonds is 12 July 2015. Any bonds not converted will be redeemed on that date by their principal amount together with unpaid interest. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Details of the Group's intended corporate exercises to have sufficient resources to satisfy medium to long term working capital and other financing need are set out in note 2 to the financial statements.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong, 26 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Turnover	8	**166,013**	149,534
Cost of sales		**(125,707)**	(117,856)
Gross profit		**40,306**	31,678
Other income	9	**2,002**	42,937
Distribution costs		**(3,884)**	(3,234)
Administrative expenses		**(66,610)**	(64,035)
(Loss)/profit from operations		**(28,186)**	7,346
Finance costs	11	**(28,203)**	(27,363)
Fair value loss on derivative components of convertible bonds		**(21,679)**	–
Impairment loss on exploration and evaluation assets		**(29,000)**	(182,000)
Loss before tax		**(107,068)**	(202,017)
Income tax expense	12	**(1,084)**	(364)
Loss for the year	13	**(108,152)**	(202,381)
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**1,227**	(759)
Item that will not be reclassified to profit or loss:			
Gains on property revaluation		**6,692**	3,702
Other comprehensive income for the year, net of tax	16	**7,919**	2,943
Total comprehensive income for the year		**(100,233)**	(199,438)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Loss for the year attributable to owners of the Company		**(108,152)**	(202,381)
Total comprehensive income for the year attributable to owners of the Company		**(100,233)**	(199,438)
		HK$	*HK$*
Loss per share	*17*		
Basic		**(0.59)**	(1.11)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Exploration and evaluation assets	18	**251,031**	280,031
Property, plant and equipment	19	**63,490**	55,930
Investments in associates	20	**–**	–
Investment in a joint venture	21	**(40)**	(40)
Other non-current assets	22	**–**	–
		314,481	335,921
Current assets			
Inventories	23	**28,192**	17,314
Trade and other receivables	24	**30,193**	30,743
Derivative components of convertible bonds	30	**45,759**	67,438
Pledged bank deposits	25	**–**	1,500
Bank and cash balances	25	**13,446**	40,646
		117,590	157,641
Current liabilities			
Trade and other payables	26	**(73,786)**	(64,862)
Liability component of convertible bonds	30	**(220,954)**	(7,000)
Borrowings	27	**(17,284)**	(17,202)
Unsecured other loans	28	**(6,500)**	(6,500)
Current tax liabilities		**(5,225)**	(4,562)
		(323,749)	(100,126)
Net current (liabilities)/assets		**(206,159)**	57,515
Total assets less current liabilities		**108,322**	393,436

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	**2013** **HK$'000**	2012 HK$'000
Non-current liabilities			
Deferred tax liabilities	29	**(9,334)**	(6,921)
Liability component of convertible bonds	30	**(235,031)**	(422,325)
		(244,365)	(429,246)
NET LIABILITIES		**(136,043)**	(35,810)
Capital and reserves			
Share capital	32	**183**	183
Reserves	34	**(136,226)**	(35,993)
TOTAL EQUITY		**(136,043)**	(35,810)

Approved by the Board of Directors on 26 March 2014.

Tam Lup Wai, Franky
Director

Liu Liyang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Foreign currency translation reserve HK$'000	Warrant reserve HK$'000	Property revaluation reserve HK$'000	Convertible bonds equity reserves HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2012	183	1,556,959	228,413	(2,156)	24,226	16,320	17,665	(1,677,982)	163,628
Total comprehensive income for the year	–	–	–	(759)	–	3,702	–	(202,381)	(199,438)
Changes in equity for the year	–	–	–	(759)	–	3,702	–	(202,381)	(199,438)
At 31 December 2012	183	1,556,959	228,413	(2,915)	24,226	20,022	17,665	(1,880,363)	(35,810)
Total comprehensive income for the year	–	–	–	1,227	–	6,692	–	(108,152)	(100,233)
Changes in equity for the year	–	–	–	1,227	–	6,692	–	(108,152)	(100,233)
At 31 December 2013	183	1,556,959	228,413	(1,688)	24,226	26,714	17,665	(1,988,515)	(136,043)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 *HK$'000*	2012 *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(107,068)**	(202,017)
Adjustments for:		
Depreciation	**6,127**	8,342
Fair value loss/(gain) on derivative components of convertible bonds	**21,679**	(40,754)
Finance costs	**28,203**	27,363
Impairment loss on exploration and evaluation assets	**29,000**	182,000
Interest income	**(27)**	(35)
Net gain on disposals of property, plant and equipment	**(78)**	(51)
Written off of irrecoverable receivables	**140**	–
Written off of property, plant and equipment	**350**	4
Written off of other payables	**(795)**	(556)
Operating loss before working capital changes	**(22,469)**	(25,704)
(Increase)/decrease in inventories	**(10,421)**	2,733
Increase in trade debtors and bills receivables	**(463)**	(2,970)
Decrease in other debtors, deposits and prepayments	**953**	92
Decrease in amount due from a joint venture	**8**	–
Increase/(decrease) in trade creditors and bills payables	**163**	(2,928)
Increase in other creditors and accrued charges	**8,508**	3,779
Increase in amounts due to directors	**150**	103
Cash used in operations	**(23,571)**	(24,895)
Income taxes paid	**(432)**	(248)
Net cash used in operating activities	**(24,003)**	(25,143)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional costs paid for exploration and evaluation assets	–	(625)
Purchases of property, plant and equipment	**(4,129)**	(4,967)
Proceeds from disposals of property, plant and equipment	**518**	1,443
Decrease in pledged bank deposits	**1,500**	1,500
Interest received	**27**	35
Net cash used in investing activities	**(2,084)**	(2,614)
CASH FLOWS FROM FINANCING ACTIVITIES		
New borrowings	**112,920**	68,388
Repayment of borrowings	**(113,231)**	(68,769)
Interest paid	**(1,229)**	(16,716)
Net cash used in financing activities	**(1,540)**	(17,097)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(27,627)**	(44,854)
Effect of foreign exchange rate changes	**427**	(1,029)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**40,646**	86,529
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**13,446**	40,646
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**13,446**	40,646

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Suite 3008, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35 to the financial statements.

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK$108,152,000 for the year ended 31 December 2013 and as at 31 December 2013 the Group had net current liabilities and net liabilities of approximately HK$206,159,000 and HK$136,043,000 respectively. In addition, as mentioned in note 30 to the financial statements, the maturity date of series B convertible bonds is on 12 July 2015. Any bonds not converted will be redeemed on that date by their principal amount together with unpaid interest. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors, based upon the Group's latest operational forecasts, have a reasonable expectation that the Group will have adequate or access to resources to obtain necessary fund at a level sufficient to finance the working capital requirements of the Group in foreseeable future. As mentioned in note 41 to the financial statements, on 27 February 2014, the bond holders of series A convertible bonds had exercised the conversion right to convert the convertible bonds with principal amount of HK$200,000,000 into 108,108,108 new ordinary shares of HK$0.001 each in the Company with exercise price of HK$1.85 per share. Consequently, the liability component of convertible bonds of approximately HK$198,602,000 included in current liabilities had been released and converted into share capital. Nevertheless, in order to have sufficient cash resources to satisfy the Group's medium to long term working capital and other financing need, the Group intends to do, but not limited to, the following corporate exercises:

(a) To raise additional working capital of the Group by placing shares with general mandate already authorised or to be authorised by the shareholders in the annual general meeting.

(b) To refinance the series B convertible bonds.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. GOING CONCERN BASIS *(Continued)*

In light of the corporate exercises to be taken, the Group will have sufficient cash resources to satisfy its medium to long term working capital and other financing need. The directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their liquidation amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

(a) Amendments to HKAS 1"Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new optional terminology for statement of comprehensive income and income statement that has been applied by the Group. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group's subsidiaries, associates and joint arrangements in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

(c) HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative components of convertible bonds which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgement in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

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

(b) Business combination

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence; the holder's intention and financial ability to exercise or convert that right is not considered.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in other comprehensive income is recognised in the consolidated other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the carrying amount of the investment at the date of disposal and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in other comprehensive income is recognised in the consolidated other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Joint arrangements *(Continued)*

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the carrying amount of the investment at the date of disposal and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Property, plant and equipment

Land and buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Revaluation increases of land and buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against the property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued land and building, the attributable revaluation increases remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation of property, plant and equipment is calculated at rates appropriate to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Land and buildings	30 years
Leasehold improvements	Over the unexpired term of the lease
Plant and machinery	5 years
Furniture, fixtures, office equipment and motor vehicles	3 to 5 years
Moulds and tools	5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less accumulated impairment losses. Exploration and evaluation assets include the cost of exploration and exploitation rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as intangible assets and property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is adjusted for impairment in accordance with HKAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

– the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

– substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

– exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

– sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(j) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. 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.

(l) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

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

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(o) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which 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.

(p) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instruments under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Convertible bonds

(i) Compound instrument

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist that of a liability and equity components. At the date of issue, the fair value of derivative components, if any, are determined using an option pricing model; and the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the derivatives and liability components, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds equity reserve subsequently. The derivative components are measured at fair value through profit or loss, and the liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the derivatives, liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

(ii) Combined instrument

Convertible bonds which entitle the holder to convert the bonds into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist that of derivatives and liability components. At the date of issue, the fair value of the derivative components are determined using an option pricing model; and these amounts are carried as derivatives until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value through profit or loss.

Transaction costs are apportioned between the derivatives and liability components of the convertible bonds based on the allocation of proceeds to the derivatives and liability components on initial recognition.

4. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(s) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods and trading of raw materials and moulds are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

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

(u) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

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

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it includes items from previous years that were not deductible or taxable, excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Taxation *(Continued)*

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(x) Related parties

A related party is a person or entity that is related to the Group.

(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 Company or of a parent of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Related parties *(Continued)*

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

(i) The entity and the Company 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. If the Group is itself such a plan, the sponsoring employers are also 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).

(y) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except exploration and evaluation assets, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Impairment of assets *(Continued)*

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) *Going concern basis*

These financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's intended corporate exercises set out in note 2 to the financial statements to obtain necessary fund at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to financial statements.

(b) *Split of land and building elements*

The Group determines that the lease payments cannot be allocated reliably between the land and building elements. Accordingly the entire lease of land and buildings is classified as a finance lease and included under property, plant and equipment.

(c) *Classification of joint arrangements*

The Group's joint arrangement is structured as limited company and provide the Group and the parties to the agreement with rights to the net assets of the limited company under the arrangement. Therefore, this entity is classified as a joint venture of the Group.

Key sources of estimation uncertainty

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

(a) *Property, plant and equipment and depreciation*

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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.

(c) Fair value of land and buildings

The Group appointed an independent professional valuer to assess the fair value of the land and buildings. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(e) Allowance for slow-moving inventories

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(f) Fair value of derivative components of convertible bonds

As disclosed in note 30 to the financial statements, the fair value of the derivative components of the convertible bonds at the date of issue and the end of the reporting period were determined using option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative components, the expected volatility of the share prices of the Company and the potential dilution in the share prices of the Company. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value gain or loss of the derivative components in the period in which such determination is made.

(g) Impairment of exploration and evaluation assets

The Group tests annually whether exploration and evaluation assets have suffered any impairment in accordance with the accounting policy stated in note 4(h) to the financial statements. An impairment loss is recognised when the carrying amount of exploration and evaluation assets exceeds their recoverable amount. In determining the recoverable amount, certain estimates have been involved based on the events or changes in circumstances as stated in the accounting policy.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars ("HKD"), United States dollars ("USD") and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Foreign currency risk *(Continued)*

At 31 December 2013, if the HKD had weakened 1% against the USD with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$171,000 (2012: approximately HK$185,000) lower, arising mainly as a result of the foreign exchange gain on bank balances, receivables, payables and borrowings denominated in the USD. If the HKD had strengthened 1% against the USD with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$171,000 (2012: approximately HK$185,000) higher, arising mainly as a result of the foreign exchange loss on bank balances, receivables, payables and borrowings denominated in the USD.

At 31 December 2013, if the HKD had weakened 1% against the RMB with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$475,000 (2012: approximately HK$485,000) lower, arising mainly as a result of the foreign exchange gain on bank balances, receivables, payables and borrowings denominated in the RMB. If the HKD had strengthened 1% against the RMB with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$475,000 (2012: approximately HK$485,000) higher, arising mainly as a result of the foreign exchange loss on bank balances, receivables, payables and borrowings denominated in the RMB.

(b) Price risk

The Group's derivative components of convertible bonds are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk.

At 31 December 2013, if the volatility had increased by 5% with all other variables held constant and the derivative components moved according to the historical correlation with the share price of the Company, the consolidated loss after tax for the year would decrease by approximately HK$184,000 (2012: approximately HK$1,510,000) arising from changes in fair value of the derivative components of convertible bonds.

If the volatility had decreased by 5% with all other variables held constant and the derivative components moved according to the historical correlation with the share price of the Company, the consolidated loss after tax for the year would increase by approximately HK$93,000 (2012: decrease by approximately HK$407,000), arising from changes in fair value of derivative components of convertible bonds.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk

The carrying amount of the bank and cash balances and trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

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

The Group has significant concentration of credit risk to its trade receivables as the Group's largest customer contributed over approximately 33% of the turnover for the year and shared over approximately 62% of the trade and bills receivables at the end of the reporting period. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to non-recoverable of the receivables and there is no recent history of default for the customer.

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of the payables in its daily operations and its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The Group's ability to meet its financial obligations when they fall due is dependent upon the corporate exercises set out in note 2 to the financial statements. Therefore, the directors are satisfied that the Group will be able to meet in full their financial obligations as and when they fall due in the foreseeable future.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk *(Continued)*

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Over 5 years *HK$'000*
At 31 December 2013				
Borrowings	**17,559**	–	–	–
Unsecured other loans	**6,500**	–	–	–
Trade and other payables	**73,786**	–	–	–
Liability component of convertible bonds	**230,750**	**255,000**	–	–
At 31 December 2012				
Borrowings	17,572	–	–	–
Unsecured other loans	6,500	–	–	–
Trade and other payables	64,862	–	–	–
Liability component of convertible bonds	15,000	215,000	255,000	–

(e) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits, borrowings, unsecured other loans and liability component of convertible bonds.

Unsecured other loans and liability component of convertible bonds are arranged at fixed interest rates and expose the Group to fair value interest rate risks. Other bank deposits and borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

At 31 December 2013, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$58,000 (2012: approximately HK$5,000) higher, arising mainly as a result of lower interest income from bank deposits. If interest rates had been 50 basis points higher with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$58,000 (2012: approximately HK$5,000) lower, arising mainly as a result of higher interest income from bank deposits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Categories of financial instruments at 31 December

	2013 HK$'000	2012 HK$'000
Financial assets:		
Financial assets at fair value through profit or loss – held for trading	**45,759**	67,438
Loans and receivables (including cash and cash equivalents)	**43,639**	72,889
Financial liabilities:		
Financial liabilities at amortised cost	**553,555**	517,889

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

7. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy at 31 December 2013:

Description	Fair value measurement using: Level 1	Level 2	Level 3	Total 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Land and buildings	–	–	56,272	56,272
Derivative components of convertible bonds	–	45,759	–	45,759

(b) Reconciliation of assets measured at fair value based on level 3:

Description	2013 Land and buildings *HK$'000*
At 1 January	47,722
Total gains or losses recognised in other comprehensive income	6,692
Deferred tax liabilities	2,231
Depreciation	(1,608)
Exchange difference	1,235
At 31 December	56,272

The total gains or losses recognised in other comprehensive income are presented in property revaluation reserve in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

7. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2013:

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Key unobservable inputs used in level 3 fair value measurements are mainly:

– Current cost of replacing the improvement is estimated by unit construction cost for constructing buildings with similar structure, size and location.

– Deduction for physical deterioration and all relevant forms of obsolescence and optimisation is estimated by calculation of depreciation based on building age of the buildings.

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 2013 *HK$'000*
Derivative components of convertible bonds	Black-Scholes model with Trinomial Tree method	Stock price Conversion price Risk-free rate Effective interest rate Time to maturity Volatility Dividend yield	**636**
Derivative components of convertible bonds	Black-Scholes model with Monte Carlo Simulation method	Stock price Conversion price Risk-free rate Effective interest rate Time to maturity Volatility Dividend yield	**45,123**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

7. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2013: *(Continued)*

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2013 *HK$'000*
Land and buildings	Depreciation replacement cost	Market value for the existing use of the land	RMB800/m^2	Increase	
		Current cost of replacing the improvements	RMB1,272/M^2 – RMB1,696/M^2	Increase	
		Deduction for physical deterioration and all relevant forms of obsolescence and optimisation	43% – 48%	Decrease	**56,272**

There are no changes in the valuation techniques used.

8. TURNOVER

The Group's turnover represents the aggregate of sales value of goods supplied to customers less goods returned, trade discounts and sales tax. The amount of revenue recognised in turnover during the year represents manufacture and sale of healthcare and household products.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

9. OTHER INCOME

	2013 *HK$'000*	2012 *HK$'000*
Fair value gain on derivative components of convertible bonds	–	40,754
Income from scrap sales	**781**	864
Interest income	**27**	35
Net exchange gains	–	103
Net gain on disposals of property, plant and equipment	**78**	51
Written off of other payables	**795**	556
Others	**321**	574
	2,002	42,937

10. SEGMENT INFORMATION

The Group is engaged in the manufacture and sales of healthcare and household products and coal mining business. Accordingly, there are two reportable segments of the Group. For the year ended 31 December 2013, no contribution was made by coal mining business segment.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the financial statements. Segment profits or losses, segment assets and segment liabilities do not include results, assets and liabilities from corporate income and expenses, corporate assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

10. SEGMENT INFORMATION *(Continued)*

Information about reportable segment profit or loss, assets and liabilities:

	Coal mining business *HK$'000*	Health care and household product *HK$'000*	Total *HK$'000*
Year ended 31 December 2013			
Turnover	–	166,013	166,013
Segment (loss)/profit	(84,372)	2,500	(81,872)
Interest income	–	12	12
Finance costs	26,660	1,229	27,889
Depreciation	181	4,838	5,019
Income tax expense	–	1,039	1,039
Other material non-cash items:			
Impairment of assets	29,000	–	29,000
Additions to segment non-current assets	136	3,977	4,113
As at 31 December 2013			
Segment assets	297,322	128,346	425,668
Segment liabilities	553,947	96,884	650,831
Investment in a joint venture	–	(40)	(40)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

10. SEGMENT INFORMATION *(Continued)*

Information about reportable segment profit or loss, assets and liabilities: *(Continued)*

	Coal mining business *HK$'000*	Health care and household product *HK$'000*	Total *HK$'000*
Year ended 31 December 2012			
Turnover	–	149,534	149,534
Segment loss	(174,141)	(2,010)	(176,151)
Interest income	–	4	4
Finance costs	25,647	1,404	27,051
Depreciation	82	6,825	6,907
Income tax expense	–	248	248
Other material non-cash items:			
Impairment of assets	182,000	–	182,000
Additions to segment non-current assets	1,111	3,988	5,099
As at 31 December 2012			
Segment assets	348,384	107,535	455,919
Segment liabilities	520,636	87,172	607,808
Investment in a joint venture	–	(40)	(40)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

10. SEGMENT INFORMATION *(Continued)*

Reconciliations of reportable segment, profit or loss, assets and liabilities:

	2013 *HK$'000*	2012 *HK$'000*
Profit or loss		
Total loss of reportable segments	**(81,872)**	(176,151)
Unallocated corporate results	**(26,280)**	(26,230)
Consolidated loss for the year	**(108,152)**	(202,381)
Assets		
Total assets of reportable segments	**425,668**	455,919
Unallocated corporate assets	**6,403**	37,644
Elimination of intersegment assets	**–**	(1)
Consolidated total assets	**432,071**	493,562
Liabilities		
Total liabilities of reportable segments	**650,831**	607,808
Unallocated corporate liabilities	**28,836**	28,924
Elimination of intersegment liabilities	**(111,553)**	(107,360)
Consolidated total liabilities	**568,114**	529,372

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

10. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's business is managed on a worldwide basis, but participates in nine principal economic environments.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue		Non-current assets	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
France	**13,404**	10,148	**–**	–
Germany	**20,894**	23,112	**–**	–
Indonesia	**–**	–	**251,390**	280,435
Italy	**9,005**	8,961	**–**	–
Japan	**3,772**	4,975	**–**	–
The People's Republic of China (the "PRC")	**21,407**	25,196	**62,669**	53,681
United Kingdom	**8,291**	11,352	**–**	–
United States of America	**58,364**	33,964	**–**	–
Hong Kong and others	**30,876**	31,826	**422**	1,805
Consolidated total	**166,013**	149,534	**314,481**	335,921

In presenting the geographical information, revenue is based on the locations of the customers.

Turnover from major customers

	2013	2012
	HK$'000	*HK$'000*
Health care and household product		
Customer a	**54,111**	45,209
Customer b	**36,225**	35,862
Customer c	**21,534**	23,530

No turnover has been recorded for coal mining business for both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

11. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Effective interest expenses on liability component of convertible bonds wholly repayable within five years	**26,660**	25,647
Interest on bank loans	**1,122**	1,282
Interest on other loans wholly repayable within five years	**421**	434
	28,203	27,363

12. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
Current tax – PRC Enterprise Income Tax		
Provision for the year	**864**	216
Under-provision in prior years	**220**	148
	1,084	364

No provision for Hong Kong Profits Tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

12. INCOME TAX EXPENSE *(Continued)*

The reconciliation between the income tax expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2013 *HK$'000*	2012 *HK$'000*
Loss before tax	**(107,068)**	(202,017)
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	**(17,666)**	(33,333)
Tax effect of income that is not taxable	**(14)**	(6,772)
Tax effect of expenses that are not deductible	**18,302**	40,654
Tax effect of temporary differences not recognised	**3**	32
Tax effect of utilisation of tax losses not previously recognised	**(109)**	(125)
Under-provision in prior years	**220**	148
Effect of different tax rates of subsidiaries	**348**	(240)
Income tax expense	**1,084**	364

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

13. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2013 HK$'000	2012 HK$'000
Auditor's remuneration	750	730
Cost of inventories sold#	125,707	117,856
Depreciation	6,127	8,342
Fair value loss on derivative components of convertible bonds	21,679	–
Impairment loss on exploration and evaluation assets	29,000	182,000
Net exchange losses/(gains)	211	(103)
Operating lease charges in respect of land and buildings	6,177	6,472
Research and development costs*	3,790	3,530
Staff costs including directors' remuneration		
Salaries, bonus and allowances	67,698	53,489
Retirement benefit scheme contributions	340	316
	68,038	53,805
Written off of irrecoverable receivables	140	–
Written off of property, plant and equipment	350	4

* Research and development costs include staff costs of approximately HK$3,559,000 (2012: approximately HK$3,185,000) which are included in the amount disclosed separately above.

\# Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK$33,222,000 (2012: approximately HK$24,869,000), which are included in the amounts disclosed separately above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

For the year ended 31 December 2013

	Fees *HK$'000*	Basic salaries, allowances and benefits in kind *HK$'000*	Discretionary bonus *HK$'000*	Share-based payments *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Name of director						
Executive directors						
Mr. Jiang Chunming *(note (a))*	–	1,000	–	–	–	1,000
Mr. Liu Liyang	–	3,000	–	–	14	3,014
Madam Lu Mujuan *(note (b))*	–	152	–	–	–	152
Mr. Luo Xiaohong	–	228	–	–	–	228
Mr. Siswo Awaliyanto *(note (c))*	–	62	–	–	–	62
Mr. Tam Lup Wai, Franky	–	1,423	–	–	15	1,438
Mr. Wan Shouquan *(note (d))*	–	152	–	–	–	152
Independent non-executive directors						
Mr. Lam Bing Kwan	120	–	–	–	–	120
Mr. Lam Ming On *(note (e))*	70	–	–	–	–	70
Mr. Leung Chi Hung *(note (f))*	–	–	–	–	–	–
Mr. Li Hon Kuen *(note (g))*	54	–	–	–	–	54
Mr. Wong Man Chung, Francis *(note (h))*	36	–	–	–	–	36
	280	6,017	–	–	29	6,326

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

For the year ended 31 December 2012

	Fees	Basic salaries, allowances and benefits in kind	Discretionary bonus	Share-based payments	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Name of director						
Executive directors						
Mr. Jiang Chunming *(note (a))*	–	1,000	–	–	–	1,000
Mr. Liu Liyang	–	3,000	–	–	14	3,014
Madam Lu Mujuan *(note (b))*	–	147	–	–	–	147
Mr. Luo Xiaohong	–	221	–	–	–	221
Mr. Siswo Awaliyanto *(note (c))*	–	258	–	–	–	258
Mr. Tam Lup Wai, Franky	–	1,423	–	–	14	1,437
Mr. Wan Shouquan *(note (d))*	–	147	–	–	–	147
Independent non-executive directors						
Mr. Lam Bing Kwan	120	–	–	–	–	120
Mr. Lam Ming On *(note (e))*	120	–	–	–	–	120
Mr. Wong Man Chung, Francis *(note (h))*	120	–	–	–	–	120
	360	6,196	–	–	28	6,584

Note: (a) Resigned on 18 March 2014.
(b) Resigned on 21 February 2014.
(c) Resigned on 18 March 2013.
(d) Resigned on 21 February 2014.
(e) Resigned on 1 August 2013.
(f) Appointed on 13 December 2013.
(g) Appointed on 19 July 2013.
(h) Resigned on 19 April 2013.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2012: HK$Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

The five highest paid individuals in the Group during the year included three (2012: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2012: three) individuals are set out below:

	2013 HK$'000	2012 HK$'000
Basic salaries and allowances	**4,572**	5,747
Retirement benefit scheme contributions	**30**	35
	4,602	5,782

The emoluments fell within the following bands:

	Number of individuals 2013	2012
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**1**	1
	2	3

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

The directors have not declared nor proposed any dividends in respect of the year ended 31 December 2013 (2012: HK$Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

16. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income for the year:

	2013			2012		
	Amount before tax	**Tax**	**Amount after tax**	Amount before tax	Tax	Amount after tax
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences on translating foreign operations	**1,227**	**–**	**1,227**	(759)	–	(759)
Gains on property revaluation *(note 29(a))*	**8,923**	**(2,231)**	**6,692**	4,936	(1,234)	3,702
Other comprehensive income	**10,150**	**(2,231)**	**7,919**	4,177	(1,234)	2,943

17. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$108,152,000 (2012: approximately HK$202,381,000) and the weighted average number of ordinary shares of 182,877,071 (2012: 182,877,071) in issue during the year.

(b) Diluted loss per share

As the exercise of the Company's outstanding convertible bonds for both years would be anti-dilutive, no diluted loss per share was presented in both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

18. EXPLORATION AND EVALUATION ASSETS

	Exploration and exploitation rights (notes a and b) HK$'000	Others (note c) HK$'000	Total HK$'000
Cost			
At 1 January 2012	444,127	17,279	461,406
Additions	–	625	625
At 31 December 2012, at 1 January 2013 and at 31 December 2013	444,127	17,904	462,031
Accumulated impairment			
At 1 January 2012	–	–	–
Impairment loss	175,000	7,000	182,000
At 31 December 2012 and at 1 January 2013	175,000	7,000	182,000
Impairment loss	27,800	1,200	29,000
At 31 December 2013	202,800	8,200	211,000
Carrying amount			
At 31 December 2013	241,327	9,704	251,031
At 31 December 2012	269,127	10,904	280,031

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

18. EXPLORATION AND EVALUATION ASSETS *(Continued)*

Notes:

(a) During 2011, a wholly-owned subsidiary of the Company entered into agreements to acquire the entire issued share capital of a company, Fastport Investments Holdings Limited ("Fastport") and its subsidiaries. Fastport, through its subsidiaries, has an indirect interest in exploration and exploitation rights in respect of a coal mine in Central Kalimantan, Indonesia. The consideration paid for the acquisition is HK$500,000,000 and was satisfied by the Company issuing two series of convertible bonds with face value of HK$200,000,000 and HK$300,000,000 respectively. The acquisition was completed on 13 July 2011. The acquisition was considered as an assets acquisition.

(b) Exploration and exploitation rights are granted for the period from 28 December 2009 to 23 December 2019 and can be extended for 2 times, for 10 years each.

(c) Others represent the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

(d) The continuing decline in the price of coal and the delay in the commencement of operations of the coal mine indicate that the Group should test the exploration and evaluation assets for impairment.

In assessing whether impairment is required for the exploration and evaluation assets, their carrying value is compared with their recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. The Group engaged an independent valuer, Greater China Appraisal Limited, to determine the fair value of the exploration and evaluation assets. The fair value of exploration and evaluation assets was determined using the market approach (2012: income-based approach was used). The recoverable amount used in assessing the impairment loss is fair value less costs of disposal. The fair value was determined by reference to the average coal price of actual market transactions multiply by coal resources of the Group.

Based on this evaluation, the carrying amount of the exploration and evaluation assets exceeded its recoverable amount at 31 December 2013. Accordingly, an impairment loss of HK$29,000,000 was recognised for the year ended 31 December 2013 (2012: HK$182,000,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

18. EXPLORATION AND EVALUATION ASSETS *(Continued)*

Notes: (Continued)

(d) *(Continued)*

The reasons for the change in the valuation approach from those previously adopted were as follows:

Income approach used previously is no longer appropriate due to certain changes of assumptions adopted. Negotiations of terms for the acquisition and/or relinquishment of surface rights of land necessary for the commencement of works in connection with the PT Bara Mine were more protracted than expected. As such the first year of production was already delayed from the original plan in 2014 to 2015. Moreover, the changes in market conditions from 2011 to 2013 with low coal price level and decreasing demand had also rendered the assumptions in the use of the income approach inappropriate as projected operation margin does not show any profitability which indicated it is untimely to initiate production in the foreseeable future. Due to such uncertainty, making an assumption to start production within a reasonable timeframe, which form the basis for the use of the income approach, would not be considered as appropriate any more.

Market approach resulted in a measurement that is equally or more representative of fair value under the present circumstances. In the market approach, value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should approximate one another. For the market approach to be used, there must be a sufficient number of comparable transactions to make comparisons, or, alternatively, the industry composition must be such that meaningful comparisons can be made.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

19. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Total *HK$'000*
Cost or valuation						
At 1 January 2012	45,849	3,258	18,713	23,314	31,663	122,797
Additions	–	157	430	2,904	1,476	4,967
Surplus on revaluation	1,371	–	–	–	–	1,371
Disposals	–	–	(796)	(211)	(1,393)	(2,400)
Written off	–	–	–	(38)	(2)	(40)
Exchange differences	502	–	244	150	214	1,110
At 31 December 2012 and at 1 January 2013	47,722	3,415	18,591	26,119	31,958	127,805
Additions	–	99	1,396	1,634	1,000	4,129
Surplus on revaluation	7,290	–	–	–	–	7,290
Disposals	–	–	(208)	(36)	(455)	(699)
Written off	–	(461)	(589)	(718)	(1,096)	(2,864)
Exchange differences	1,260	–	603	378	508	2,749
At 31 December 2013	56,272	3,053	19,793	27,377	31,915	138,410
Accumulated depreciation and impairment						
At 1 January 2012	–	2,468	16,220	18,521	30,355	67,564
Charge for the year	3,521	482	980	2,516	843	8,342
Write back on revaluation	(3,565)	–	–	–	–	(3,565)
Disposals	–	–	(796)	(211)	(1)	(1,008)
Written off	–	–	–	(36)	–	(36)
Exchange differences	44	–	224	116	194	578
At 31 December 2012 and at 1 January 2013	–	2,950	16,628	20,906	31,391	71,875
Charge for the year	1,608	311	809	2,540	859	6,127
Write back on revaluation	(1,633)	–	–	–	–	(1,633)
Disposals	–	–	(208)	(33)	(18)	(259)
Written off	–	(323)	(585)	(534)	(1,072)	(2,514)
Exchange differences	25	–	543	291	465	1,324
At 31 December 2013	–	2,938	17,187	23,170	31,625	74,920
Carrying amount						
At 31 December 2013	56,272	115	2,606	4,207	290	63,490
At 31 December 2012	47,722	465	1,963	5,213	567	55,930

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

	Land and buildings *HK$'000*	**Leasehold improvements** *HK$'000*	**Plant and machinery** *HK$'000*	**Furniture, fixtures, office equipment and motor vehicles** *HK$'000*	**Moulds and tools** *HK$'000*	**Total** *HK$'000*
At cost 2013	**–**	**3,053**	**19,793**	**27,377**	**31,915**	**82,138**
At valuation 2013	**56,272**	**–**	**–**	**–**	**–**	**56,272**
	56,272	**3,053**	**19,793**	**27,377**	**31,915**	**138,410**

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

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Total *HK$'000*
At cost 2012	–	3,415	18,591	26,119	31,958	80,083
At valuation 2012	47,722	–	–	–	–	47,722
	47,722	3,415	18,591	26,119	31,958	127,805

(a) All land and buildings of the Group are outside Hong Kong under medium-term leases.

(b) The Group's land and buildings held for own use were revalued at 31 December 2013 and 2012 on the open market value basis by Greater China Appraisal Limited (2012: Roma Appraisals Limited), an independent firm of professional valuer.

Had the land and buildings held for own use been carried at historical cost less accumulated depreciation and impairment loss as at 31 December 2013 their carrying value would have been approximately HK$18,518,000 (2012: approximately HK$19,611,000).

(c) At 31 December 2013, all buildings of the Group were pledged to secure banking facilities granted to the Group (note 37).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

20. INVESTMENTS IN ASSOCIATES

	2013 HK$'000	2012 HK$'000
Unlisted investments:		
Share of net assets	–	–

Details of the Group's associates at 31 December 2013 are as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Dynasty L.L.C.	United States of America	140,000 ordinary shares of US$1 each	50%	Dormant
Esterham Enterprise Inc.	British Virgin Islands ("BVI")	2 ordinary shares of US$1 each	50%	Dormant

The Group's share of net assets and results for the year are immaterial to the Group.

21. INVESTMENT IN A JOINT VENTURE

	2013 HK$'000	2012 HK$'000
Unlisted investment:		
Share of net liabilities	(40)	(40)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

21. INVESTMENT IN A JOINT VENTURE *(Continued)*

Details of the Group's joint venture at 31 December 2013 are as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Kato Fairform Strategic Holdings Limited ("Kato")	Hong Kong	10 ordinary shares of HK$1 each	40%	Investment holding

Although the Group holds more than 20% of the voting power of Kato, the Group exercises joint control over Kato because the Group is entitled to appoint two directors out of four directors of Kato. The remaining two directors are appointed by another shareholder of Kato.

The Group's share of net assets and results for the year is immaterial to the Group.

The following table shows, in aggregate, the Group's share of the amounts of individually immaterial joint venture that are accounted for using the equity method.

	2013 *HK$'000*	2012 *HK$'000*
At 31 December		
Carrying amounts of interest	**(40)**	(40)

The Group has not recognised loss for the year amounting to approximately HK$1,000 (2012: HK$ Nil) for Kato. The accumulated losses not recognised were approximately HK$7,000 (2012: approximately HK$6,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

22. OTHER NON-CURRENT ASSETS

It represented a quality guarantee deposit amounted to HK$44,933,000 paid to China Infohighway Communications Co., Ltd. ("IHW") pursuant to Cooperation Agreement and Supplemental Agreements (collectively "the Agreements") entered into between the Group and IHW on 19 December 2001. Under the Agreements, the Group agreed to provide certain equipment and facilities as necessary for IHW's network infrastructure for a facility fee. In the event that the Group failed to provide the required equipment and facilities, IHW could make use of the deposit to purchase the required equipment and facilities. The deposit was unsecured, non-interest bearing and is repayable upon the expiry of the Agreements on 21 July 2019.

However, owing to the difficulty and complexity in securing a telecommunications service-operating permit in the PRC, the Group had decided to suspend the cooperation projects. The directors had negotiated a refund of the deposit with IHW but had been unable to reach an agreement.

As the recoverability of the deposit was uncertain, the directors considered that it is prudent to make full allowance of impairment of HK$44,933,000 against the deposit since the year ended 31 December 2003.

23. INVENTORIES

	2013	2012
	HK$'000	*HK$'000*
Raw materials	**15,486**	11,386
Work in progress	**9,753**	3,698
Finished goods	**2,953**	2,230
	28,192	17,314

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

24. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade debtors and bills receivables *(notes (a), (b) & (c))*	**25,905**	25,546
Other debtors, deposits and prepayments	**4,160**	5,061
Amounts due from associates *(note (d))*	**21**	21
Amount due from a joint venture *(note (d))*	**107**	115
	30,193	30,743

Notes:

(a) The ageing analysis of trade debtors and bills receivables, based on the invoice date, is as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**6,875**	9,054
31 to 90 days	**16,677**	14,913
91 to 180 days	**2,142**	1,368
181 to 365 days	**–**	–
Over 365 days	**211**	211
	25,905	25,546

Trade debts are normally due within from 30 to 60 days from the date of billing.

As at 31 December 2013, trade debtors and bills receivables of approximately HK$4,504,000 (2012: approximately HK$17,144,000) are assigned to a bank for a factoring loan included in the banking facilities as set out in notes 27 and 37 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

24. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

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

	USD *HK$'000*	RMB *HK$'000*	Total *HK$'000*
2013	**24,722**	**1,183**	**25,905**
2012	24,211	1,335	25,546

(c) Trade debtors and bills receivables were past due but not impaired

As of 31 December 2013, trade debtors and bills receivables of approximately HK$8,269,000 (2012: approximately HK$9,693,000) were past due but not impaired. The ageing analysis of these trade debtors and bills receivables, based on the due date, is as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Up to 3 months	**8,058**	9,482
3 to 6 months	**–**	–
More than 6 months	**211**	211
	8,269	9,693

Receivables that were past due but not impaired relate to customers having 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) Amounts due from associates and a joint venture are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

25. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

As at 31 December 2012, the Group's pledged bank deposits represented deposits pledged to a bank to secure banking facilities granted to the Group as set out in note 37 to the financial statements. The deposits are in HKD and at an average fixed interest rate of 1.15% per annum and therefore are subject to fair value interest rate risk.

As at 31 December 2013, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$7,877,000 (2012: approximately HK$3,979,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade creditors and bills payables *(notes (a) & (b))*	**22,754**	22,162
Other creditors and accrued charges	**50,661**	42,479
Amounts due to directors *(note (c))*	**371**	221
	73,786	64,862

Notes:

(a) The ageing analysis of trade creditors and bills payables, based on the date of receipt of goods, is as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**6,520**	8,486
31 to 90 days	**11,783**	8,742
91 to 180 days	**2,589**	3,084
Over 180 days	**1,862**	1,850
	22,754	22,162

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

26. TRADE AND OTHER PAYABLES *(Continued)*

Notes: (Continued)

(b) The carrying amounts of the Group's trade creditors and bills payables are denominated in the following currencies:

	HKD *HK$'000*	USD *HK$'000*	EUR *HK$'000*	RMB *HK$'000*	Total *HK$'000*
2013	**6,304**	**703**	**–**	**15,747**	**22,754**
2012	5,142	722	49	16,249	22,162

(c) Amounts due to directors are unsecured, interest-free and repayable on demand.

27. BORROWINGS

	2013 ***HK$'000***	2012 *HK$'000*
Unsecured loan from a financial institution *(note (a))*	**380**	380
Secured bank loan *(notes (b) & (d))*	**14,963**	15,388
Secured factoring loan *(notes (c) & (d))*	**1,941**	1,434
	17,284	17,202

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

	HKD *HK$'000*	USD *HK$'000*	RMB *HK$'000*	Total *HK$'000*
2013	**380**	**1,941**	**14,963**	**17,284**
2012	380	1,434	15,388	17,202

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

27. BORROWINGS *(Continued)*

Notes:

(a) The unsecured loan is interest bearing at 3% per annum over the prevailing prime lending rate offered by The Hongkong and Shanghai Banking Corporation Limited and exposes the Group to cash flow interest rate risk.

(b) The secured bank loan is arranged at floating interest rate with an average rate of 7.3% (2012: 8.7%) per annum and exposes the Group to cash flow interest rate risk.

(c) The secured factoring loan is arranged at interest rate same as the standard bills rate quoted by the bank and exposes the Group to cash flow interest rate risk.

(d) The secured bank and factoring loans are secured over the Group's buildings held for own use situated outside Hong Kong, fixed deposits HK$Nil (2012: approximately HK$1.5 million), the Company's guarantee and certain trade receivables of a subsidiary (notes 24 and 37).

28. UNSECURED OTHER LOANS

On 1 February 2000, pursuant to a placing and underwriting agreement dated 16 December 1999 entered into between the Company and independent placing agents, 4% convertible notes with an aggregate principal amount of HK$9 million were issued (the "Notes"). The Notes were convertible to ordinary shares of HK$0.05 each of the Company at any time between 1 April 2000 and 27 January 2002 and Notes of HK$2.5 million were subsequently converted during 2000.

Prior to maturity, holders of the remaining Notes of HK$6.5 million had not exercised the conversion right, therefore, the directors of the Company consider that the conversion right attaching to the Notes had lapsed. The Notes should be regarded as unsecured other loans and the outstanding balances together with accrued interest of approximately HK$9.6 million are due for repayment. As at the date of authorisation for issue of these financial statements, the Notes holders have not yet requested the Company to repay the loans.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

29. DEFERRED TAX

(a) The following are the deferred tax liabilities recognised by the Group.

	Revaluation of land and buildings *(note 16)* *HK$'000*
At 1 January 2012	(5,558)
Charge to equity for the year	(1,234)
Exchange differences	(129)
At 31 December 2012 and 1 January 2013	(6,921)
Charge to equity for the year	(2,231)
Exchange differences	(182)
At 31 December 2013	(9,334)

(b) At the end of the reporting period the Group has unused tax losses of approximately HK$105 million (2012: approximately HK$106 million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams. The tax losses may be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

30. CONVERTIBLE BONDS

	2013 HK$'000	2012 HK$'000
Derivative components of convertible bonds		
Series A convertible bonds *(note a)*	**(636)**	–
Series B convertible bonds *(note b)*	**(45,123)**	(67,438)
	(45,759)	(67,438)
Liability component of convertible bonds		
Series A convertible bonds *(note a)*	**213,550**	200,971
Series B convertible bonds *(note b)*	**242,435**	228,354
	455,985	429,325
The maturity of the liability component of the convertible bonds:		
Within one year	**220,954**	7,000
In the second to fifth years inclusive	**235,031**	422,325
	455,985	429,325

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

30. CONVERTIBLE BONDS *(Continued)*

Notes:

(a) **Series A convertible bonds (the "SA")**

On 13 July 2011, the Group issued the SA with a principal amount of HK$200,000,000. The SA had a maturity period of three years from the issue date to 12 July 2014. During the period from 13 July 2011 to 12 July 2014, the SA entitles the holder to convert the bonds into new ordinary shares of the Company at an initial conversion price, subject to adjustment of HK$0.074 per share. The conversion price was adjusted to HK$1.85 per share due to share consolidation of every 25 shares of HK$0.05 each in the share capital consolidated into 1 consolidated share of HK$1.25 each on 9 November 2011.

Any SA not converted will be redeemed on 12 July 2014 at 100% of their principal amount. Interest of 5% will be paid annually up until that settlement date.

The SA contains derivatives, a liability and an equity components. The equity component is presented in equity as part of the "convertible bonds equity reserve". The effective interest rate of the liability component for the SA is 6.17% per annum. The derivative components are measured at fair value with changes in fair value recognised in the profit or loss.

The movement of the derivative, liability and equity components of SA is set out below:

	Derivative component assets *HK$'000*	**Liability component** *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
At 1 January 2012	(14,756)	198,808	17,665	201,717
Fair value changes for the year	14,756	–	–	14,756
Interest charged	–	12,163	–	12,163
Interest paid	–	(10,000)	–	(10,000)
At 31 December 2012 and 1 January 2013	–	200,971	17,665	218,636
Fair value changes for the year	(636)	–	–	(636)
Interest charged	–	12,579	–	12,579
At 31 December 2013	(636)	213,550	17,665	230,579

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

30. CONVERTIBLE BONDS *(Continued)*

Notes: (Continued)

(a) Series A convertible bonds (the "SA") *(Continued)*

The directors estimate the fair value of the liability component of the SA at 31 December 2013 to be approximately HK$189,804,000 (2012: approximately HK$203,139,000). The fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

The derivative components are measured at their fair value at the date of issue and at the end of each reporting period. The fair values are estimated using Black-Scholes model with Trinomial Tree method. The key assumptions used are as follows:

	31 December 2013
Stock price	**HK$0.39**
Conversion price	**HK$1.85**
Risk-free rate	**–0.063%**
Effective interest rate	**21.0737%**
Time to maturity	**0.53 years**
Volatility	**115.64%**
Dividend yield	**0%**

(b) Series B convertible bonds (the "SB")

On 13 July 2011, the Group issued the SB with a principal amount of HK$300,000,000. The SB had a maturity period of four years from the issue date to 12 July 2015. During the period from 13 July 2011 to 12 July 2015, the SB entitles the holder to convert the bonds into new ordinary shares of the Company at the higher of the following:

(i) the average closing price of the shares as quoted on the Stock Exchange for the last 5 trading days before the date of the conversion notice; and

(ii) the initial conversion price, subject to adjustment, of HK$0.05 per share. The conversion price was adjusted to HK$1.25 per share due to share consolidation of every 25 shares of HK$0.05 each in the share capital consolidated into 1 consolidated share of HK$1.25 each on 9 November 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

30. CONVERTIBLE BONDS *(Continued)*

Notes: (Continued)

(b) Series B convertible bonds (the "SB") *(Continued)*

Any SB not converted will be redeemed on 12 July 2015 at 100% of their principal amount. Interest of 2% will be paid annually up until that settlement date.

The SB contains derivatives and a liability components. The effective interest rate of the liability components for the SB is 6.1% per annum. The derivative components are measured at fair value with changes in fair value recognised in the profit or loss.

On 27 July 2011, the Group redeemed part of the SB with a principal amount of HK$50,000,000.

The movement of the derivative and liability components of SB is set out below:

	Derivative component assets *HK$'000*	**Derivative component liabilities** *HK$'000*	**Liability component** *HK$'000*	**Total** *HK$'000*
At 1 January 2012	(23,009)	11,081	219,870	207,942
Fair value changes for the year	(44,429)	(11,081)	–	(55,510)
Interest charged	–	–	13,484	13,484
Interest paid	–	–	(5,000)	(5,000)
At 31 December 2012 and 1 January 2013	(67,438)	–	228,354	160,916
Fair value changes for the year	22,315	–	–	22,315
Interest charged	–	–	14,081	14,081
At 31 December 2013	(45,123)	–	242,435	197,312

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

30. CONVERTIBLE BONDS *(Continued)*

Notes: (Continued)

(b) Series B convertible bonds (the "SB") *(Continued)*

The directors estimate the fair value of the liability component of the SB at 31 December 2013 to be approximately HK$193,798,000 (2012: approximately HK$232,588,000). The fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

The derivative components are measured at their fair value at the date of issue and at the end of each reporting period. The fair values are estimated using Black-Scholes model with Monte Carlo Simulation method. The key assumptions used are as follows:

	31 December 2013	31 December 2012
Stock price	**HK$0.39**	HK$0.231
Conversion price	**HK$1.25**	HK$1.25
Risk-free rate	**0.5301%**	0.114%
Effective interest rate	**21.5226%**	5.343%
Time to maturity	**1.53 years**	2.567 years
Volatility	**85.693%**	208.926%
Dividend yield	**0%**	0%

31. RETIREMENT BENEFIT SCHEMES

Employee retirement benefits

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer makes contributions to the scheme at 5% – 10% and employees are required to make 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 except for certain senior staff. Mandatory contributions to the scheme vest immediately.

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans ("Plans") organised by local authorities for the Group's employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

32. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.001 each		
At 1 January 2012, at 31 December 2012, at 1 January 2013 and at 31 December 2013	1,000,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK$0.001 each		
At 1 January 2012, at 31 December 2012, at 1 January 2013 and at 31 December 2013	182,877,071	183

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013	2012
	HK$'000	*HK$'000*
Investments in subsidiaries	**191,351**	191,351
Due from subsidiaries	**2,047,771**	2,022,945
Impairment loss on investments and amounts due from subsidiaries	**(1,974,128)**	(1,918,423)
Due from a related company	**109**	109
Derivative components of convertible bonds	**45,759**	67,438
Other current assets	**3,007**	31,821
Due to subsidiaries	**(26,890)**	(26,890)
Liability component of convertible bonds	**(455,985)**	(429,325)
Other current liabilities	**(12,375)**	(12,662)
NET LIABILITIES	**(181,381)**	(73,636)
Share capital	**183**	183
Reserves	**(181,564)**	(73,819)
TOTAL EQUITY	**(181,381)**	(73,636)

34. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Warrant reserve HK$'000	Convertible bonds equity reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	1,556,959	237,767	24,226	17,665	(1,709,133)	127,484
Loss for the year	–	–	–	–	(201,303)	(201,303)
At 31 December 2012	1,556,959	237,767	24,226	17,665	(1,910,436)	(73,819)
At 1 January 2013	1,556,959	237,767	24,226	17,665	(1,910,436)	(73,819)
Loss for the year	–	–	–	–	(107,745)	(107,745)
At 31 December 2013	1,556,959	237,767	24,226	17,665	(2,018,181)	(181,564)

(c) Nature and purpose of reserves

(i) Share premium account

Under the Bye-laws of the Company, the share premium is not distributable but may be applied in paying up unissued shares of the Company to be issued to shareholders of the Company as fully paid bonus shares.

(ii) Contributed surplus

The contributed surplus of the Company arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 1997 and represented the excess of the then consolidated net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefore.

The contributed surplus arose in the years represented the net effect of the capital reduction of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

34. RESERVES

(c) Nature and purpose of reserves *(Continued)*

(ii) Contributed surplus (Continued)

Under the Companies Act of Bermuda, the contributed surplus account of the Company is available for distribution. However the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

– it is, or would after the payment be, unable to pay its liabilities as they become due; or

– the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iii) Warrant reserve

The warrant reserve represents the proceeds received from the issue of 370,000,000 warrants at a placing price of HK$0.07 per warrant on 27 November 2003, net of warrant issue expenses. The trading of the warrants on the Stock Exchange had ceased after 2 December 2004 and the listing of the warrants on the Stock Exchange was withdrawn from 4 December 2004. The subscription rights attaching to the 365,880,000 outstanding warrants had expired on 7 December 2004.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(e) to the financial statements.

(v) Convertible bonds equity reserve

The convertible bonds equity reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 4(r) to the financial statements.

(vi) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for buildings in note 4(f) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

35. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2013 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest/voting power/profit sharing		Principal activities
			Direct	*Indirect*	
Dongguan Weihang Electrical Product Company Limited	The PRC	Registered capital US$9,000,000	–	100%	Manufacturing and trading of healthcare and household products
eForce Management Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	–	Provision of management services
Fairform Group Limited	BVI	15,700,200 shares of US$1 each	100%	–	Investment holding
Fairform Manufacturing Company Limited	Hong Kong	138,750,000 ordinary shares of HK$1 each and 250,000 non-voting deferred shares of HK$1 each	–	100%	Manufacturing and trading of healthcare and household products
Fastport Investments Holdings Limited	BVI	100 ordinary shares of US$1 each	–	100%	Investment holding
Gainford Internationals Inc.	BVI	50 shares of US$1 each	–	100%	Investment holding
Oasis Global Limited	BVI	10 shares of US$1 each	–	100%	Trademark holding
PT Bara Utama Persada Raya	Republic of Indonesia	4,999 shares of IDR100,000 each	–	99.98%	Own a coal mining concession
PT Karya Dasar Bumi	Republic of Indonesia	1,000 shares of IDR1,000,000 each	–	100%	Investment holding
Smart Guard Limited	BVI	1 share of US$1	–	100%	Investment holding

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

36. CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any significant contingent liabilities (2012: Nil).

37. BANKING FACILITIES

At 31 December 2013 the Group had banking facilities amounted to approximately HK$33 million (2012: approximately HK$37 million), which were secured by the following:

(a) buildings of the Group (note 19);

(b) trade receivable of the Group amounted to approximately HK$4.5 million (2012: approximately HK$17 million) under factoring arrangement (notes 24 and 27);

(c) fixed deposits of the Group amounted to HK$Nil (2012: approximately HK$1.5 million); and

(d) guarantee for an unlimited amount duly executed by the Company.

At 31 December 2013, the Group had available approximately HK$16 million (2012: approximately HK$20.1 million) undrawn borrowing facilities.

38. COMMITMENTS

At 31 December 2013, the Group has the following capital commitments outstanding and not provided for in the financial statements:

	2013 ***HK$'000***	2012 *HK$'000*
Contracted but not provided for:		
Quality guarantee deposit	**17,500**	17,500
Interest-free loan to a joint venture	**4,000**	4,000
	21,500	21,500

39. RELATED PARTY TRANSACTIONS

Apart from those related party transactions and balances disclosed elsewhere in the financial statements, the Group had no other transactions and balances with its related parties during the year.

NOTES TO THE FINANCIAL STATEMENTS

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40. LEASE COMMITMENTS

At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within one year	**5,953**	5,635
In the second to fifth years inclusive	**2,778**	5,547
After five years	**7,889**	8,214
	16,620	19,396

The Group leases a number of properties under operating leases. The leases run for an initial period from 1 to 50 years, with an option to renew the lease and renegotiate the terms at the expiry date or dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

41. EVENT AFTER THE REPORTING PERIOD

On 27 February 2014, the bond holders of SA had exercised the conversion right to convert the convertible bonds with principal amount of HK$200,000,000 into 108,108,108 new ordinary shares of HK$0.001 each in the Company with exercise price of HK$1.85 per share, such new shares ranking pari passu in all respects with the existing shares of the Company.

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2014.

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Turnover	**166,013**	149,534	137,061	141,627	112,132
Operating loss after finance costs	**(107,068)**	(202,017)	(55,016)	(28,353)	(10,557)
Share of loss of a joint venture	**–**	–	–	–	–
Loss before taxation	**(107,068)**	(202,017)	(55,016)	(28,353)	(10,557)
Income tax credit/(expense)	**(1,084)**	(364)	(299)	21	(3)
Loss for the year	**(108,152)**	(202,381)	(55,315)	(28,332)	(10,560)
Loss attributable to equity holders of the Company	**(108,152)**	(202,381)	(55,315)	(28,332)	(10,560)

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**432,071**	493,562	691,542	224,993	177,125
Total liabilities	**(568,114)**	(529,372)	(527,914)	(102,422)	(77,011)
Net (liabilities)/assets	**(136,043)**	(35,810)	163,628	122,571	100,114
Equity attributable to equity holders of the Company	**(136,043)**	(35,810)	163,628	122,571	100,114