大同機械企業有限公司
COSMOS MACHINERY ENTERPRISES LIMITED

Stock Code 股份代號: 118

ANNUAL REPORT
2013 年 報

5 years+
商界展關懷
caringcompany
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

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CORPORATE INFORMATION

CHAIRMAN EMERITUS
Tang Kwan

DIRECTORS
Executive Directors
Tang To *(Chairman)*
Jiang Wei
Wong Yiu Ming
Tang Yu, Freeman

Non-Executive Directors
Wu Ding *(Vice Chairman)*
Kan Wai Wah
Qu Jinping

Independent Non-Executive Directors
Yeung Shuk Fan *CPA (US) ACIS*
Cheng Tak Yin
Ho Wei Sem
Huang Zhi Wei

Audit Committee
Yeung Shuk Fan *CPA (US) ACIS*
Cheng Tak Yin
Ho Wei Sem

Remuneration Committee
Yeung Shuk Fan *CPA (US) ACIS*
Cheng Tak Yin
Ho Wei Sem
Tang To

Committee of Executive Directors
Tang To
Jiang Wei
Wong Yiu Ming
Tang Yu, Freeman

Nomination Committee
Yeung Shuk Fan *CPA (US) ACIS*
Cheng Tak Yin
Ho Wei Sem
Tang To
Tang Yu, Freeman

CHIEF EXECUTIVE OFFICER
Tang Yu, Freeman

JOINT COMPANY SECRETARIES
Ho Kwong Sang *FCCA CPA FCS FCIS*
Tam Pui Ling *ACS ACIS*

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PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
The Hongkong & Shanghai Banking Corporation Limited
China Citic Bank International Limited
DBS Bank (Hong Kong) Limited

SOLICITORS
Woo, Kwan, Lee & Lo

AUDITORS
Ting Ho Kwan & Chan

SHARE REGISTRAR
Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

LISTING INFORMATION
The Stock Exchange of Hong Kong Limited
Stock Code: 118

CHAIRMAN'S STATEMENT

I am pleased to announce the annual results of Cosmos Machinery Enterprises Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st December, 2013.

RESULTS

The Group's consolidated turnover was about HK$2,465,110,000 in the financial year, up by about 16% from approximately HK$2,121,595,000 of 2012. After tax profit for the year was about HK$123,025,000, compared with after tax loss of about HK$13,138,000 of the prior year. For the year ended 31st December 2013, profit attributable to shareholders was about HK$108,390,000 while loss attributable to shareholders of the corresponding period of the prior year was approximately HK$24,175,000. Nonetheless, profit for the period under review included the disposal of an associated company, Hon Kiu Machine Factory Limited for approximately RMB467,155,000, reaping a net profit of about HK$217,217,000.

CHAIRMAN'S STATEMENT

The year 2013 was envisaged to be a challenging year for the Group. From the macroeconomic point of view, the economic recovery in the US and countries in Europe remained slow and unstable, which spanned to impact the export trade of China. That coupled with the high borrowing cost and the difficulty of getting credit domestically dealt quite a hard blow to the small/medium enterprises, leading to the extremely sluggish investment sentiment of the industrial and commercial enterprises.

Against such a difficult market backdrop, sales amounts of the Group went up by a mere of 16% as a result. In this difficult time, the businesses of machinery manufacturing, and plastic products and processing, incurred rather significant operating losses. It was no doubt attributed to the macroeconomic environment at the time, it could also be attributed to the fact that the management of the two segments was not nimble enough to find out appropriate solutions that meet the situation. Notwithstanding of that, the trading and printed circuit board businesses recorded reasonable profits. Only after providing for possible inventories and account receivables write-offs for the machinery business, did the Group record an overall operating loss of approximately HK$84,128,000. After taking into account the profit of about HK$217,217,000 occurred in disposing the interest in an associated company, the Group ended up making a profit of approximately HK$108,390,000.

It has been the Group's persistent business direction to maintain sustainable long term development. Hence in this adverse situation, the Group was still active in making R&D investments. During the period under review, 6 newly invented patents were under application and 4 patents on inventions made in the prior financial year were granted with further patent rights. At the same time, the Group's all-electric plastic injection moulding machine made its debut into the market with progressive delivery made on a timely basis. Adding to these technology accomplishments, the Group has gained the transfer of the large-scale all-electric plastic injection moulding machine technology from Japan, enabling the Group to play a more leading role in the all-electric injection moulding machine arena, featuring more comprehensive specifications, thus gaining the Group a competitive edge in the high-end precision injection moulding machine market. During the period, in order to satisfy the automation and energy-saving requirements of all walks of business, the Group added

- *WELLTEC SEc Series Servo-Driven Thin-Wall High Speed Plastic Injection Moulding Machine*

- *Karmay Workshop – IML Robot Arm*

quite a lot of equipment and upgraded the production flow design and process. All these improvements were to reduce operating cost, especially the ever-increasing labour cost and the insatiable market requirements. The trading business also made proactive effort to secure agency business for new products in the Chinese market and to focus on building an expanding rapport and market network.

During the period, in order to provide more direct quality service to its customers, the Group's printed circuit board business acquired all the shares of a Japanese circuit board trading company. It is expected that the acquisition would expand our customer base and would synergistically benefit the sales and agency services of the Group's other products, thus enhancing the income in all aspects of the business.

The Group during the period disposed of its interest in an associated company, which gained a book profit and added additional cash flow, thus providing some catalyst for the Group's future development.

During the period under review, the performance of various businesses differed. Operating result showed quite a loss, for which the Group felt a deep regret. Hence, an imminent review with focuses will be made with an endeavor of turning around in the upcoming year.

FUTURE PROSPECTS

2013 is a year that the new generation of China's leadership promulgated an imminent and thorough reform. In November of the same year, the third session of the plenary meeting passed the resolution on several critical issues, which were not only comprehensive but also oceanic. Since the fourth quarter of last year up till now, a number of regulatory changes have been promulgated and it is expected that there will be more of these to come in this financial year. Those affecting the investment environment should bring forth both opportunities and challenges for the Group. To this end, the board of directors will closely monitor the development and map out a strategic move for any necessary adjustment.

In the upcoming year, the market sentiment may not be optimistic. The US and European economy is recovering from the trough, the pace of recovery is expected to be slow and full of setbacks. Domestic industrial and commercial enterprises in the PRC will still have difficult time, and interest rates of raising funds will stay high. The economic and investment sentiment will not be as easy to show any upturn. In spite of all these, the Group's various businesses are poised to take a positive, practical and prudent attitude to lay down necessary reforms to meet the requirement of the development. While concern should be made on credit risk, we will also conduct thorough review to make adjustment plans. Under the premise of maintaining a prudent financial structure, operational efficiency will be vigorously upgraded. And we will steadfastly cultivate the market so that we can turn around and bring about reasonable return to our shareholders. In the last year, the Group disposed of an associated company, the cash proceeds received will be handled with prudence. With a stronger base of increased cash flow, the Group will in this fiercely competitive environment move forward its product development in a healthy way. The Group's associated company Suzhou Sanguang Science and Technology Co., Ltd. was successfully listed on the National Equities Exchange and Quotations, thus optimizing the Group's asset quality.

In the past year, the Group's management team relentlessly and heartily answered the challenges in the market, and grasped every opportunity to optimize the Group's asset quality. For their hard work, I would like to extend my heartfelt appreciation. I would like to sincerely thank the directors for their support and contribution to the Group, and the customers and business partners, for their support and cooperation.

TANG To
Chairman

Hong Kong, 27th March, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review in 2013, the global economy remained unstable. The US and European economic recovery was slow in pace, and the Chinese economic situation in general was not encouraging. Liquidity in China domestically remained tight, thus affecting the country's economic vitality. Demand from customers in various industries was bleak, which dealt a blow to the Group's overall business performance. Nevertheless, the Group's various financial indicators, such as turnover days, repayment capability, debt ratio, etc., remained healthy and stable. During the period, the management team of various businesses adopted various corresponding measures, and remained resilient in securing business opportunities. As a result, some of our business performance gradually improved in the second half of the year.

Manufacturing Business

Machinery

Under the rather complicated circumstances of the slowdown of the originally rapid growth of the domestic economy and the recovery of some of the overseas market, the sales of our machinery business recorded a turnover of approximately HK$972,044,000 that increased by approximately 15% and represented approximately 39% of the Group's consolidated turnover. An operating loss of approximately HK$81,103,000 was recorded that included a one-time extraordinary loss of approximately HK$46,284,000 that was contributed by the withdrawal of our blow moulding machine products and the phasing out of obsolete machine models.

• *DEKUMA Parallel Counter-Rotating Twin-Screw Extruder for PVC*

During the period under review, most domestic manufacturers were still plagued by such negative impacts as increasing labour cost, below capacity utilization rate, and the appreciation of RMB. Investment sentiment was in general bleak. Domestically the business had a year-on-year increase of approximately 8% that was attributed to our proactive cultivation of the geographical mid/west market. Benefitted by developed countries' growth recovery and our market deepening effort, sales to the overseas market went up by approximately 26%. However, new products were not able to generated significant contributions in the financial year as some new products required a longer incubation period than originally planned. The keen competition that occurred in the general-purpose series of plastic injection moulding machine market rippled over the servo-driven energy saving plastic injection moulding machine and large scale machine types. Henceforth, the overall gross profit margin made a slight downturn.

Our new product, Ge – Green & Excellence electric-driven PLUS plastic injection moulding machine, had demonstrated to be receptive to our customers. The application of plastic packaging for the pharmaceutical industry has helped develop some benchmark customers, its promotion and application have been extended to other industries, such as plastic precision parts for optical products and mobile communication equipment. The Group has in December 2013 entered into a technology transfer agreement of the UF series of all-electric plastic injection moulding machine with UBE Machinery Industries, Ltd. ("UBE"). UBE plays a leading role in the medium/large-scale all-electric plastic injection moulding machine arena globally. The cooperation will serve to shorten the business's research and development time in large-scale all-electric machinery, which will perfect the integrated expansionary strategic scheme of the Ge series.

MANAGEMENT DISCUSSION AND ANALYSIS

• COSMOS-NC ESD Series High Speed Full Servo-Electric CNC Turrent Punch Press

As to other machinery products, the CNC punching press has been upgraded to a full servo electric-driven mode. The brand new ES and ESD series, with its relatively high value-for-money quality, energy-saving, precision and high efficiency features, is now formally entering the stage of market promotion. It is expected that this product will fully replace the traditional hydraulic driven punching scheme. On the extrusion line of products, the parallel counter-rotating twin-screw extruder specialized for PVC industry developed in the financial year has begun to enter the market, which is positioned to be for the high-end industries which require high efficiency and high productivity. Our hydraulic press and rubber injection moulding machine will also focus on penetrating the market that mainly harnesses the integrated high-end automated production scheme.

Although our export business was affected by the slow economic recovery in the international market, the cooperation with partners in the US and South Korea has reinforced our market development and promotion in those domestic markets. Hence, sales growth rates in the two markets were encouraging. It is expected that, after the new launch of the Ge electric-driven PLUS plastic injection moulding machine in the respective markets and its promotion in paving way for the high-end market, the machine will become a new growth driver in 2014.

During the period, the business had a prudent review of its product mix and decided to completely withdraw from the business of blow moulding machine. At the same time, certain obsolete non-energy-saving injection moulding machine was phased out. To this end, write-offs were provided for related raw material, components, product inventory, and bad and doubtful account receivables, which contributed to a one-time book loss of approximately HK$66,625,000 in aggregate. After such an adjustment in the product mix, the business would then position itself at the higher-end energy-saving high efficiency product. That, on the long-run, will optimize the utilization efficiency of our internal resources and rate of investment return.

Plastic Products and Processing

During the period under review, the sales of plastic products and processing business recorded an approximate increase of 18% compared with the corresponding period last year. Sales turnover was approximately HK$392,504,000, accounting for approximately 16% of the consolidated turnover of the Group. A consolidated operating loss of approximately HK$38,654,000 was recorded.

• Yoghurt Machine

In respect of the home appliance and A/V product processing business in Dongguan, its business turnover during the period was roughly similar to the corresponding period last year. Due to the fierce competition in the industry and the ever-increasing customer demand for higher product technology and quality, the business was unable to adapt well to the situation, resulting in the rework rate and the scrap rate staying on the high side. The business therefore manifested a higher loss relatively. The business had however in the second half of the financial year turned to focus on operating strategy adjustments, giving up individual orders that would show a loss, stringent cost control, enhancing production technology and quality.

MANAGEMENT DISCUSSION AND ANALYSIS

Concerning the production base in Hefei, the cultivation of new customers during the period under review was satisfactory. Furthermore, the business's persistent monitor of product quality control and emphasis on customer service management came into fruition. Both of its business turnover and profit commanded a reasonable result. The business also focused its effort on improving product quality, continued to optimize the management structure, and increased productivity to cope with abruptly increasing orders, so as to lay a solid foundation for future development.

• *Karmay Products*

During the period under review, the food packaging and cutlery business in Zhuhai recorded a sales turnover similar to that of the same period last year. Some new products of higher profit margins were developed and new customers gained during the year, which included new products such as sealed cap for milk-powder containers, screw cap tubes, wrapped straw, etc. The business also demonstrated a rather significant improvement in its production equipment and technology reinforcement, such as the upgrading of in-mould labeling technology, replacing aged equipment, self-development of automated equipment, etc., in order to escalate operation efficiency. At the same time, with the support of a proper system and proper training, product quality was improved, thus customer recognition was gained. On the whole, the business recorded satisfactory profit contribution for the financial year under review.

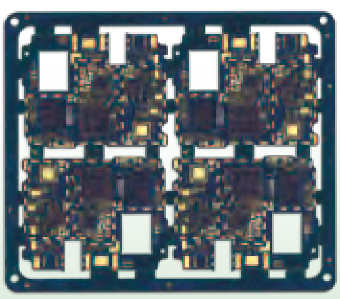
Our eco-friendly kitchenware brand, BioChef, began to rise into fame, and in February 2013 it was awarded with the "New Star Brand" prize. As far as market and product promotion is concerned, the business still did not make a breakthrough as it was still in its initial stage. A loss was therefore recorded in the year. Nonetheless, during the period, the business shared resources with other plastic processing business within the Group, which helped optimizing cost allocations and increase the agility of the business.

For the optic and lighting products, during the period under review, sales were similar to the same period last year. The close down of some major customers and the change of their sales strategy resulted in losses of orders. This coupled with the continuing increase in operating costs, the business incurred a loss.

• *BioChef Kitchen Ware*

Printed Circuit Board

For the printed circuit board business, sales in 2013 was approximately HK$682,951,000, representing an increase of approximately 21% compared with the corresponding period last year, accounting for approximately 28% of the Group's consolidated turnover. Operating profit for the period was about HK$36,601,000.



• *8 Layers HDI Immersion Gold + OSP Board*

The printed circuit board business saw a relatively fierce competition in 2013 as the external market sentiment remained bleak. During the period, the business worked out an operating scheme to cope with such an environment, which plotted to gradually reduce proportionately the reliance on Japanese customers, and cultivated customers in the US and Europe as well as domestically in China. At the same time, extensive services to customers were strengthened and in-time understanding of customers' business developments was made, so that the opportunity for developing new products could appear. This strategic adjustment has changed the profile of our order book, which ended up compensating reduced orders from certain customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Concerning production process domain, the business during the period made some appropriate adjustment in accordance with the product mix changes, thus improving system efficiency. In the workshop, some automated equipment was added to reinforce efficiency, thus helped to reduce related labour cost. With the concerted effort of various departments, the business's performance was satisfactory, as the products were competitive and customers' applause was gained.

In August 2013, the Group acquired the entire share capital of a printed circuit board trading company, KFE Hong Kong Co., Ltd. ("KFE"). KFE not only has a strong clientele, such as Canon, Sony, etc., but also has a long history of rapport with us. The acquisition would serve to solve KFE's liquidity problem in the past, regain customers' trust and confidence. Its business was hence back on track after our acquisition, making profit contribution during the financial year.

Trading Business

Industrial Consumables

Trading business, during the year under review, accounted for a turnover of approximately HK$408,339,000, which went up by approximately 9% compared with last year and represented about 17% of the Group's consolidated turnover. Operating profit was approximately HK$30,357,000. Thanks to the cost control and the higher growth of high-profit-margin product mix, operating profit of the business recorded a satisfactory increase during the period under review.

• *High Precision Plastic Fasteners*

During the period under review, China's domestic manufacturing sector was in its doldrums and most of our customers recorded sliding business performance; hence, orders from those customers were reduced. Customers of certain manufacturing sectors, such as elevators, injection moulding machine, automobile parts, communication equipment, etc. remained solid. The growth in new customers was strong enough to compensate reduced orders from the then existing customers. Certain products such as plastic fasteners, elevator controllers and special stainless steel wire, still recorded rather satisfactory growth. What's more, the business's inventory managed to come off by about 11% and its account receivables were controlled at a reasonable level. The segment therefore maintained a healthy financial condition.

Other Business

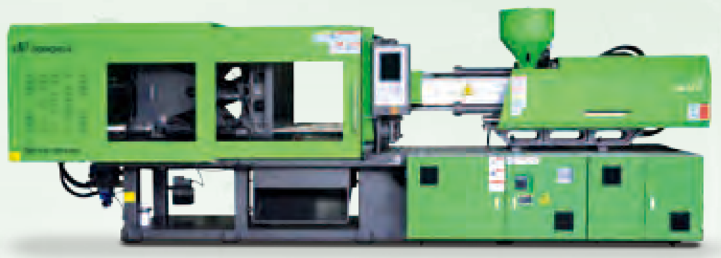
Electronic Watt-Hour Meters and Related Businesses

In this financial year, the Group disposed of its interest in Shenzhen Haoningda Meters Co., Ltd. for an aggregate consideration of about RMB467,155,000. Being a very substantial disposal, the transaction was approved by the shareholders in the extraordinary general meeting held on 29th May, 2013, and it was completed on 5th July of the same year. The disposal benefited the Group with a profit figure of about HK$217,217,000, which would be utilized for business upgrade and solidifying the Group's financial strength.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PROSPECTS

For the machinery business, our operating strategy will still be prioritizing the domestic market while the export market will play a secondary role. Against the backdrop of emission reduction, industry upgrade and rising labour cost, it is expected that the market demand for energy-saving, automated machine and equipment, and replacement of old equipment is destined to grow.



• *DONGHUA SeII Series Servo-Driven Energy-Saving Plastic Injection Moulding Machine*

The business will continue to base its overall strategy on stable growth, while product deepening and market cultivation will be its marketing-mix strategy. Research and development as well as products manufactured, will have their focuses made along the line of “environmental-friendly and energy-saving, high efficiency and precision”. This will, coupled with automation and network information functions, provide total product solution to customers in order to gain market share. And deepening along the value-added chain as well as work enhancement will also be deployed to maintain the business’s competitive edge.

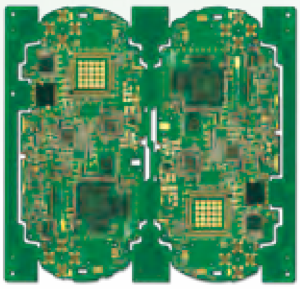
• *Booklight Magnifier*

As to the plastic product and processing business, our overall expectation for 2014 will be to reduce loss and aim to return to profit. The various businesses within the plastic segment have formed some targeting action plans that include such comprehensive action schemes of sales and operating indicators, monitoring technology, quality and technological process, enhancing efficiency, reducing costs, etc. In addition, we will continue to endeavor proprietary research and development, cultivate potential customers and products, in order to bring along profit contribution to the Group as soon as possible.

MANAGEMENT DISCUSSION AND ANALYSIS

• *Components Package for Robot Arm*

For trading business, it is expected that business climate in this year will still be undulating. Thus, the business will make a tight grip on every possible opportunity, place great emphasis on demands derived from environmental conservation and energy-saving, upgrading and transformation, and plant automation. It will vigorously develop new market opportunities and promote new products. It is therefore expected that business in the year will see a stable growth.



• *10 Layers HDI Immersion Gold Board*

For the printed circuit board business, strategically we will focus on customers whose products fall in the domain of automobiles, lighting and electronic consumables. As far as production is concerned, we will introduce green process automated production lines in order to streamline production process and productivity and to improve quality stability. At the same time, our traditional electroplating technology will be improved to reduce labour and the discharge of wastewater. Focus will also be put on transforming old and labour intensive equipment to automated equipment. It is anticipated that the transformation can effectively upgrade the overall productivity and elevate the business production technology to a higher level. Furthermore, KFE itself will actively expand its printed circuit board trading business in the year 2014, develop new customers and endeavor to cultivate the demand from existing customers in the automobile sector for printed circuit board. The objective is to allow it to resume its decisive role in the Japanese printed circuit board trade.

The Group's 21.13% owned associated company, Suzhou Sanguang Science and Technology Co., Ltd. ("Suzhou Sanguang") was successfully listed on the National Equities Exchange and Quotations on 24th January, 2014, that will be beneficial to Suzhou Sanguang's long term development.

Looking ahead to 2014, it will still be a year full of challenges and uncertainty, the US and European economy will see a slow recovery, and China's domestic economy will command a slower growth. Customers from various industries were not optimistic at all about the business environment. Against this backdrop, the Group will continue to reinforce its core businesses, make further steps to consolidate its resources, and to fight for reasonable return for all our business segments. The Group strongly believes that maintaining a healthy financial foundation, keeping a good business team, and providing good product and service quality, are critical to remain competitive. With regards to the future development, the Group is full of confidence and decisiveness. Our staff force will unanimously make every endeavor to achieve an investment return that will be satisfactory to our shareholders and investors.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Statistical Highlights

	2013 **HK$'000**	2012 HK$'000
Operating results		
Turnover	**2,465,111**	2,121,595
Profit (Loss) from operations	**(84,128)**	2,117
Profit (Loss) before taxation	**119,121**	(2,861)
Profit (Loss) attributable to equity holders of the Company	**108,390**	(24,175)
Earning (Loss) per share – Basic (cents)	**15.12**	(3.37)
Earning per share – Diluted (cents)	**N/A**	N/A
Dividend per share (cents)	**1.5**	–
Dividend payout	**10%**	–
Financial position at year end		
Total assets	**3,090,855**	2,826,138
Fixed assets	**765,494**	765,226
Quick assets	**1,545,725**	977,140
Net current assets	**823,508**	401,960
Shareholders' funds	**1,485,108**	1,378,937
Net asset value per share (cents)	**207**	192
Financial statistics		
Current ratio	**1.60**	1.33
Quick asset ratio	**1.13**	0.80
Gearing ratio	**0.02**	0.02
Total debt ratio	**0.45**	0.44

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tang To, aged 65, Chairman and Executive Director of the Company, has served on the Board since the listing of the Company in 1988 and was appointed as Chairman and Executive Director of the Company in September, 1997. Mr. Tang is responsible for the overall policy making and significant investments of the Group. Mr. Tang has over 40 years of experience in manufacturing and trading businesses in Hong Kong and the PRC. Mr. Tang is the father of Mr. Tang Yu, Freeman, the Chief Executive Officer and Executive Director of the Company and is a director of certain companies which are members of the Group and related to certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Tang is a director of Suzhou Sangguang Science and Technology Co., Ltd., which is an associate of the Company with its shares listed on the National Equities Exchange and Quotations on 24th January, 2014.

Mr. Jiang Wei, aged 51, was appointed as an Executive Director of the Company on 1st June, 2007, holds a bachelor degree in International Trade and a master degree in International Business and Finance, both from the University of International Business and Economics in Beijing China. Mr. Jiang has been with China Resources National Corporation since 1988, and joined China Resources (Holdings) Company Limited in 1990. Mr. Jiang is at present the Director and the Deputy General Manager of China Resources (Holdings) Company Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He has extensive experiences in financial and business planning, budgeting and controlling, legal and statutory tax planning, risk management and investment feasibility studies and decision making. Mr. Jiang is at present a Non-Executive Director of China Asset (Holdings) Limited and an Independent Non-Executive Director of Greentown China Holdings Limited, the securities of both companies are listed on the main board of the Stock Exchange. He is also a Director of China Vanke Company Limited which is a company listed in the PRC.

Mr. Wong Yiu Ming, aged 60, Executive Director of the Company, has 36 years of experience in sales, marketing and corporate management, is currently responsible for the overall strategic planning and management of the plastic products and processing business of the Group and is a director of some subsidiaries of the Group. Mr. Wong joined the Group in 1978 and was appointed as the General Manager of the Company on 1st February, 1999 and had been re-designated as the Chief Executive Officer of the Company on 12th September, 2005 until 30th June, 2013. He holds a Bachelor of Science degree in Engineering and a Master degree in Business Administration. Mr. Wong is a director of Suzhou Sangguang Science and Technology Co., Ltd., which is an associate of the Company with its shares listed on the National Equities Exchange and Quotations on 24th January, 2014.

Mr. Tang Yu, Freeman, aged 36, the Chief Executive Officer and Executive Director of the Company. He joined the Group in 2006 and was appointed as the Chief Executive Officer on 1st July 2013. He is responsible for the strategic planning and general management of the Group. He is the son of Mr. Tang To, the Chairman and Executive Director of the Board and is also a director of a company which is related to certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Prior to joining the Group, he worked in commercial banking division and as an associate investment advisor in banks of Hong Kong from 2001 to 2006. Mr. Tang graduated from the University of Western Ontario (Canada) and holds a Bachelor of Arts degree in Economics and holds a Diploma in Financial Planning.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Wu Ding, aged 48, was appointed as the Vice-Chairman and Non-Executive Director of the Company on 1st June, 2007. Mr. Wu is the Chairman and Chief Executive Officer (CEO) of China Resources Investment Enterprises Limited; and was appointed as the CEO of China Resources Capital Holdings Company Limited in 2011; he is also the supervisor of Vanke Co., Ltd, a listed company in the PRC and the Director of Harvest Capital Partners Limited. Prior to this, he served as the Deputy General Manager of China Resources Land Limited, Chairman and General Manager of China Resources (Shanghai) Co., Ltd., Director of China Resources SZITIC Trust. Mr. Wu joined China Resources in 1988, and he holds an EMBA degree from CEIBS China Europe International Business School.

Mr. Kan Wai Wah, aged 56, Non-Executive Director of the Company, is the Managing Director of Super Harvest Consultancy Limited. He has over 32 years of experience in the management of catering operations. Mr. Kan holds a Higher Diploma in Accountancy. He joined the Company in May, 1998. Mr. Kan is the son of Ms. Law Kit Fong, a substantial shareholder of the Company. Mr. Kan is a Director of certain companies which are related to certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Qu Jinping, aged 57, Non-Executive Director of the Company, was granted a Bachelor's degree in Engineering in 1982 by South China Institute of Technology (currently South China University of Technology), a Master's degree in Engineering in 1987 by South China University of Technology and a Doctoral degree in Engineering in 1999 by Sichuan University and was promoted to professor in 1992. He was recognized as a tutor of doctoral candidates in macromolecular material processing and light industry machinery in 1996. Since 1998, he has been serving as the chief officer of the National Engineering Research Center of Novel Equipment for Polymer Processing in South China University of Technology. He was the Vice President of South China University of Technology from December 1998 to November 2007. In March 1999, he was appointed as the special-term professor in Material Processing of the South China University of Technology by the Ministry of Education of the People's Republic of China under the Changjiang Scholars Award Program. He also served as the chief officer of the Key Laboratory of Polymer Processing Engineering of the Ministry of Education of the People's Republic of China in South China University of Technology since 2000. He was awarded a Member of the Chinese Academy of Engineering in 2011. He is concurrently a standing council member of Chinese Material Research Society, council member of Plastic Processing Association of China, council member of China Plastic Machine Association, Deputy Chairman of China Altered-Properties Plastics Association, academic committee member of State Key Laboratory of Macromolecular Materials, Chairman of Guangdong Mechanical Engineering Institute, Deputy Chairman of Guangdong Material Research Society, council member of Guangdong Inventor Association, Deputy Chief Editor of certain publications namely the World Plastics and Plastics Machinery, member of editorial committee of the Journal of South China University of Technology, the China Plastics, the Plastic Industry, the Plastics, the Engineering Plastics Application. Mr. Qu was appointed as Non-Executive Director of the Company on 8th September, 2006.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yeung Shuk Fan, aged 48, Independent Non-Executive Director of the Company, has over 24 years of experience in the finance sector and holds a Master degree in Business Administration. She is a member of the American Institute of Certified Public Accountants and an associate of The Institute of Chartered Secretaries and Administrators. During the past 19 years, Ms. Yeung has served as financial controller and financial manager of various private groups of companies. She was appointed as Independent Non-Executive Director of the Company with effect from June 2004.

Mr. Cheng Tak Yin, aged 75, Independent Non-Executive Director of the Company, has over 42 years of experience in business management. Currently, he is the Vice-Chairman and Director of Hong Kong and Kowloon Machinery and Instrument Merchants Association Limited. He was appointed as Independent Non-Executive Director of the Company with effect from 30th January, 2007.

Mr. Ho Wei Sem, aged 66, Independent Non-Executive Director of the Company. Mr. Ho has been working in various government institutions in Dongguan during the past 40 years and has extensive experience in management. He was the director-general of Dongguan City Municipal and Public Utilities Management Bureau (東莞市市政公用事業管理局) and Dongguan City Urban Integrated Management Bureau (東莞市城市綜合管理局) from 2000 to August, 2007 before his retirement. During the period from 1996 to 2000, he was the officer of Dongguan City Management Committee (東莞市城市管理委員會). From 1990 to 1996, he was the deputy chief of Dongguan City Urban and Rural Construction Planning Bureau (東莞市城鄉建設規劃局), and was the deputy supervisor of the Preparation Committee of Dongguan City Government (東莞市城區政府籌備組) during the period from 1988 to 1990. He was appointed as Independent Non-Executive Director of the Company with effect from 21st December 2010.

Mr. Huang Zhi Wei, aged 74, Independent Non-Executive Director of the Company, is currently the Executive Vice President of Guangdong General Chamber of Commerce. Mr. Huang has spent over ten years in economic-related government sectors in China. He served as the Deputy Director General of Guangdong Department of Foreign Trade & Economic Cooperation and the Director of General of Guangdong Board of Investment from 1993 to 2000 respectively. He also served as the Executive Officer of Foshan Economic Committee from 1984 to 1992. Prior to this, he worked as an engineer in Foshan Power Plant for almost 10 years and served as the Chief Engineer and Deputy General Manager of Foshan Household Electrical Appliances Corporation from 1981 to 1984. Mr. Huang graduated from the Central China University of Science and Engineering, majored in electric engineering. He is at present an Independent Non-Executive Director of Lerado Group (Holding) Company Limited, a company listed on the Stock Exchange of Hong Kong Limited. He is also an Independent Director of Keda Industrial Co., Ltd., a company listed on The Shanghai Stock Exchange. He was appointed as Independent Non-Executive Director of the Company with effect from 2nd November 2012.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Ho Kwong Sang, aged 58, joined the Group in 1981, is the Chief Financial Officer of the Group. He is responsible for the financial management of the Group. Mr. Ho is an accountancy graduate of the Hong Kong Polytechnic University and holds a Master of Arts degree in Management. Professionally, he is a Certified Public Accountant (Hong Kong), Fellow Chartered and Certified Accountant (United Kingdom), Certified Tax Adviser (Hong Kong) and Fellow Chartered Secretary (United Kingdom and Hong Kong). He is also qualified as a Certified Insurance Professional and a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance.

Mr. Yip Kar Shun, aged 67, has over 34 years of experience in electronic production and management. He joined the Group in 1994. Mr. Yip is the Managing Director of the subsidiaries which are engaged in the manufacture of printed circuit boards.

Mr. Man Wai Hong Bernard, aged 51, joined the Group in 2000. He has 27 years of experience in manufacturing, marketing and general administrative management. He graduated from the Hong Kong Polytechnic University in Electrical Engineering. He also holds a Diploma in Computer Programming, a Diploma in Management Studies and a Master degree in Business Administration. He is currently the General Manager of a subsidiary of the Group which is engaged in the trading of industrial consumables and machinery components.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 31st December, 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 43 to the financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2013 are set out in the consolidated income statement on page 36 of the annual report.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$1.5 cents (2012: Nil) per share for the year ended 31st December, 2013. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on or about 27th June, 2014 to shareholders whose names appear on the register of members on 6th June, 2014.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December, 2013, the Group's shareholders' funds were approximately HK$1,485,108,000, compared with approximately HK$1,378,937,000 as at 31st December, 2012.

The Group finances its operations with internally generated cash flow and banking facilities provided by its bankers in Hong Kong and China. The Group's debt ratio as at 31st December, 2013 was approximately 0.45 (2012: 0.44), and the liquidity ratio was approximately 1.60 (2012: 1.33), both were maintained at a healthy level. As at 31st December, 2013, cash, bank balances and time deposits amounted to approximately HK$530,862,000. All these reflect that the Group is in sound financial position.

Foreign Currencies and Treasury Policy

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, Renminbi or United States Dollars. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. During the year, the Group had no fixed interest rate borrowings. Foreign exchange risks arising from fluctuation of exchange rates of foreign currencies are managed by the Group using foreign exchange forward contracts when necessary.

FINANCIAL SUMMARY

A summary of the results, the assets and liabilities of the Group for the past five financial years is set out on page 136 of the annual report.

REPORT OF THE DIRECTORS

LEASEHOLD LAND AND BUILDINGS, PLANT AND EQUIPMENT

The leasehold land and buildings of the Group were revalued on 31st December, 2013. The resulting surplus and deficit arising on revaluation of leasehold land and buildings held for own use attributable to the Group have been recognised in other comprehensive income and accumulated separately in the property revaluation reserve or consolidated income statement as appropriate.

During the year, the Group spent, in aggregate approximately HK$63,229,000 on the acquisition of property, plant and equipment for the purpose of expanding business.

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

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company during the year under review are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st December, 2013, calculated in accordance with the Companies Ordinance, amounted to approximately HK$60,477,000.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's turnover and purchases for the year respectively.

DIRECTORS

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

Executive Directors
Tang To *(Chairman)*
Jiang Wei
Wong Yiu Ming
Tang Yu, Freeman *(Chief Executive Officer)*

Non-Executive Directors
Wu Ding *(Vice Chairman)*
Kan Wai Wah
Qu Jinping

Independent Non-Executive Directors
Yeung Shuk Fan
Cheng Tak Yin
Ho Wei Sem
Huang Zhi Wei

REPORT OF THE DIRECTORS

In accordance with Articles 103 of the Company's Articles of Association, Mr. Wong Yiu Ming, Mr. Kan Wai Wah, Mr. Ho Wei Sem and Mr. Tang Yu, Freeman will retire from office and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

No director has a service contract with the Company or any of its subsidiaries, which is not terminable within one year without payment of compensation (other than statutory compensation).

TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Non-Executive Directors and the Independent Non-Executive Directors were appointed for a specific term of three years commencing from 8th September, 2012, 30th January, 2013, 1st June, 2013, 21st December 2013 and 1st January, 2014 respectively. Every director including those appointed for a specific term is subject to retirement by rotation and re-appointment at least once every three years.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

During the year under review, the interests and short positions of the Directors and the chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong (the "SFO")) as recorded in the register of directors' and chief executive's interests and short positions required to be maintained under section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), to be notified to the Company and the Stock Exchange are as follows:

Interests in the Shares

	Number of shares held					Approximate % of total
Name of Directors	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Issued Shares of the Company
Tang To	4,970,000	2,000 *(Note 2)*	300,617,458 *(Note 1)*	224,000 *(Note 3)*	305,813,458	42.66
Wong Yiu Ming	10,832,072	–	–	–	10,832,072	1.51
Kan Wai Wah	136,400	–	–	–	136,400	0.02
Cheng Tak Yin	1,406,000	–	–	4,400	1,410,400	0.20

Notes:

1. As at 31st December, 2013, 3,460,406 Shares of those 300,617,458 Shares were held by Ginta Company Limited ("Ginta") which is wholly owned by a company which in turn is owned as to 50% by Mr. Tang and 50% by his spouse. Mr. Tang was deemed to be interested in the remaining 297,157,052 Shares of those 300,617,458 Shares under the SFO through his deemed interests in Codo Development Limited ("Codo").

   As at 31st December, 2013, Codo through its wholly owned subsidiaries, Cosmos Machinery (Holdings) Limited ("Cosmos Holdings") and Tai Shing Agencies Limited ("Tai Shing"), was deemed to be interested in 297,157,052 Shares. Codo is incorporated in Hong Kong and is owned as to (i) 25.06% by Keepsound Investments Limited ("Keepsound"), a Hong Kong company controlled by Saniwell Holding Inc., a trustee of The Saniwell Trust, (ii) 8.37% by Elegant Power Enterprises Limited ("Elegant Power"); (iii) 30.25% by Friendchain Investments Limited ("Friendchain"), a Hong Kong company controlled as to 40% by Elegant Power, as to 57.42% by Saniwell Holding Inc. and as to 2.58% by Fullwin Limited ("Fullwin"); (iv) 16.09% by Yik Wan Company Limited ("Yik Wan"); and (v) 20.23% by 5 individuals and 2 limited companies.

2. As at 31st December, 2013, 2,000 Shares were held by the spouse of Mr. Tang.

3. As at 31st December, 2013, 224,000 Shares were jointly held by Mr. Tang and his spouse.

The percentage shown was calculated based on the number of issued shares of the Company as at 31st December, 2013.

As at 31st December, 2013, other than as disclosed above and certain nominee shares held in trust for the Group, none of the Directors or Chief Executive or their associates had any interests and short positions in the shares, underlying shares of the Company and its associated corporations (within the meaning of the SFO) to be notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO, to be entered in the register referred to therein.

Save as disclosed herein, none of the Directors is materially interested in any contract or arrangement subsisting as at 31st December, 2013 which is significant in relation to the business of the Company and its subsidiaries.

As at 31st December, 2013, none of the Directors had any direct interests or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2013, the following interests in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholders' interests and short positions required to be kept under Section 336 of Part XV of the SFO:

Interests in the Shares

Name of Substantial Shareholders	Number of shares held Direct Interests	Number of shares held Deemed Interests	Total	Approximate % of total Issued Shares of the Company
Law Kit Fong	–	297,157,052 *(Note 1)*	297,157,052	41.45
Codo	–	297,157,052 *(Note 2)*	297,157,052	41.45
Cosmos Holdings	127,052,600	170,104,452 *(Note 3)*	297,157,052	41.45
Tai Shing	170,104,452	–	170,104,452	23.73
Saniwell Holding Inc.	–	297,157,052 *(Note 4)*	297,157,052	41.45
China Resources (Holdings) Company Limited	169,649,046 *(Note 5)*	–	169,649,046	23.66

Notes:

1. Ms. Law Kit Fong is deemed to be interested in the block of 297,157,052 Shares through her direct and indirect interests in Elegant Power and Codo. As at 31st December, 2013, Codo through its wholly owned subsidiaries, Cosmos Holdings and Tai Shing, was deemed to be interested in 297,157,052 Shares. As at 31st December, 2013, Codo is owned as to 30.25% by Friendchain (which is owned as to 40% by Elegant Power) and 8.37% by Elegant Power (which is wholly owned by Ms. Law Kit Fong).

2. As at 31st December, 2013, Codo is interested in 297,157,052 Shares through its wholly owned subsidiaries, Cosmos Holdings and Tai Shing. As at 31st December, 2013, Codo is owned as to (i) 25.06% by Keepsound, a Hong Kong company controlled by Saniwell Holding Inc., a trustee of The Saniwell Trust; (ii) 8.37% by Elegant Power, which is wholly-owned by Ms. Law Kit Fong; (iii) 30.25% by Friendchain, which is owned as to 40% by Elegant Power, as to 57.42% by Saniwell Holding Inc. and as to 2.58% by Fullwin; (iv) 16.09% by Yik Wan; and (v) 20.23% by 5 individuals and 2 limited companies.

3. Cosmos Holdings was deemed to be interested in 170,104,452 Shares through its subsidiary, Tai Shing.

4. As at 31st December, 2013, Saniwell Holding Inc. was deemed to be interested in the block of 297,157,052 Shares under the SFO through its deemed interests in Codo. Codo is owned as to (i) 25.06% by Keepsound, a Hong Kong company controlled by Saniwell Holding Inc., a trustee of The Saniwell Trust; (ii) 8.37% by Elegant Power; (iii) 30.25% by Friendchain which is owned as to 40% by Elegant Power, as to 57.42% by Saniwell Holding Inc. and as to 2.58% by Fullwin; (iv) 16.09% by Yik Wan; and (v) 20.23% by 5 individuals and 2 limited companies.

5. As shown by the latest interest disclosure information maintained pursuant to Part XV of the SFO provided to the Company by China Resources Corporation, China Resources Co., Limited and CRC Bluesky Limited, the above three companies were deemed to be interested in the Shares owned by China Resources (Holdings) Company Limited.

The percentage shown was calculated based on the number of issued shares of the Company as at 31st December, 2013.

Save as disclosed above, as at 31st December, 2013, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would be required to be disclosed to the Company and the Stock Exchange pursuant to Part XV of the SFO.

DIRECTOR'S AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed above, at no time during the year under review was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and Chief Executive to acquire benefits by means of the acquisition of shares or any underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of SFO); and none of the Directors, their spouses or children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such rights.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its controlling shareholders, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, that subsisted at the end of the year under review or at any time during the year under review.

SHARE OPTION SCHEME

In order to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants for their contributions and/or potential contributions to the Group and for such other purposes as the Board may approve from time to time, the Company has adopted the share option scheme at the Annual General Meeting of the Company held on 30th May, 2005, and unless otherwise terminated or amended, this scheme will remain in force for 10 years from that date.

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

The offer of the grant of option may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 by the grantee. The option period of the share options is determined by the directors at their absolute discretion and notified by them to each grantee as being the period during which an option may be exercised and in any event, such period shall not be longer than 10 years from the date of offer. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Further details of share option scheme are set out in note 29 to the financial statements.

The Company did not grant any share option during the year under review.

The following table disclosed movements in the Company's share options during the period:

				Number of share options				
Grantee(s)	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.1.2013	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 31.12.2013
Director								
Wong Yiu Ming	24.5.2010	15.6.2010 to 14.6.2013	0.66	6,000,000	–	–	6,000,000	–
Employees								
(in aggregate)	24.5.2010	25.5.2010 to 19.6.2013	0.66	8,000,000	–	–	8,000,000	–
Total				14,000,000	–	–	14,000,000	–

AUDIT COMMITTEE

The audit committee of the Company comprises the three Independent Non-Executive Directors. It has adopted terms of reference which are in line with the code provisions of the Corporate Governance Code in Appendix 14 of the Listing Rules. The audited financial statements of the Company for the year ended 31st December, 2013 have been reviewed by the audit committee who is of the opinion that such statements comply with the applicable accounting standards, legal requirements and the Listing Rules, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee comprises three Independent Non-Executive Directors and the Chairman of the Board of the Company. It has adopted terms of reference which are in line with the code provisions of the Corporate Governance Code in Appendix 14 of the Listing Rules. The duties of the remuneration committee include reviewing and evaluating the remuneration packages of Executive Directors and senior management and making recommendations to the Board as regards the remuneration packages from time to time.

REPORT OF THE DIRECTORS

NOMINATION COMMITTEE

The nomination committee of the Company comprises three Independent Non-Executive Directors and two Executive Directors. It has adopted terms of reference which are in compliance with the code provisions of the Corporate Governance Code in Appendix 14 of the Listing Rules. The main functions of the nomination committee are to make recommendations to the Board on the appointment or re-appointment of directors based on their skill, knowledge and experiences. Furthermore, the nomination committee will review the structure, size and diversity (including but not limited to gender, age, culture and educational background) of the Board at least annually to complement the Company's corporate strategy.

COMMITTEE OF EXECUTIVE DIRECTORS

The Company has established the Committee of Executive Directors which includes all the four Executive Directors and meets frequently as when necessary and is responsible for the management and day-to-day operations of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31st December, 2013, the Group has approximately 5,100 employees (2012: approximately 6,000), remunerations were formulated in accordance with market trends and performance of employees. Benefits have included schemes of insurance, retirement, share option and so on.

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

The remuneration policy of the Company for non-executive directors is to ensure that they are sufficiently compensated for their efforts and time dedicated to the Company and that for the employees, including the executive directors and senior management is to ensure that the remuneration offered is appropriate for the duties and in line with market practice. The remuneration policy is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. No director, or any of his associates and executive, is involved in deciding his own remuneration.

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 shares during the year ended 31st December, 2013.

CORPORATE GOVERNANCE

The Directors consider that the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2013 except for the deviation from code provision A.6.7 as mentioned below:

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend the issuer's general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive directors and non-executive directors were unable to attend the 2013 annual general meeting of the Company and the extraordinary general meeting held on 29th May, 2013 due to their other business engagements. However, the Board believes that the presence of independent non-executive director at such general meetings allowed the Board to develop a balanced understanding of the views of shareholders.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report in this annual report.

REPORT OF THE DIRECTORS

COMPLIANCE WITH MODEL CODE

Throughout the year ended 31st December, 2013, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules and all Directors have confirmed that they have fully complied with the required standard as set out in the Model Code based on the enquiry of all the Directors of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rules 3.10A of the Listing Rules, the Company has appointed sufficient independent non-executive directors. The Company has received from each of the Independent Non-Executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the Independent Non-Executive Directors are independent.

PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2013.

PUBLICATION OF ANNUAL REPORT

This annual report is published on the Company's website at www.cosmel.com and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk.

On behalf of the Board
TANG To
Chairman

Hong Kong, 27th March, 2014

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company has always recognized the importance of the shareholders' transparency and accountability. It is the belief of the Board of Directors that shareholders can maximize their benefits from good corporate governance.

The Company has adopted the code provisions set out in the Corporate Governance Code ("the CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance practices. The Directors consider that the Company has complied with the CG Code during the financial year ended 31st December, 2013, except for the deviation from code provision A.6.7 as mentioned below:

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend the issuer's general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive directors and non-executive directors were unable to attend the 2013 annual general meeting of the Company and the extraordinary general meeting held on 29th May, 2013 due to their other business engagements. However, the Board believes that the presence of independent non-executive director at such general meetings allowed the Board to develop a balanced understanding of the views of shareholders.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Committee of Executive Directors, Audit Committee, Remuneration Committee and Nomination Committee. Further details of these committees are set out in this report.

CORPORATE GOVERNANCE REPORT

The Board has at least four scheduled meetings a year at quarterly interval and meets as and when required. During the financial year ended 31st December, 2013, the Board held four meetings and two general meetings. The attendance of the Directors at the Board meetings and the general meetings are as follows:

	Number of attendance for the year ended 31st December 2013		
Name of Directors	**Board Meetings**	**2013 Annual General Meeting**	**Extraordinary General Meeting held on 29th May, 2013**
Executive Directors			
Tang To *(Chairman)*	4/4	1/1	1/1
Jiang Wei	1/4	0/1	0/1
Wong Yiu Ming	4/4	0/1	1/1
Tang Yu, Freeman *(Chief Executive Officer)*	4/4	1/1	1/1
Non-Executive Directors			
Wu Ding *(Vice Chairman)*	1/4	0/1	0/1
Kan Wai Wah	3/4	1/1	1/1
Qu Jinping	2/4	0/1	0/1
Independent Non-Executive Directors			
Yeung Shuk Fan	4/4	1/1	1/1
Cheng Tak Yin	4/4	1/1	1/1
Ho Wei Sem	4/4	0/1	0/1
Huang Zhi Wei	4/4	0/1	1/1

Board Minutes are kept by the Company Secretary of the Company and are sent to the Directors for records and are open for inspection by the Directors.

The Directors are enabled, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board has resolved to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties to the Company.

Appropriate insurance cover has been arranged in respect of legal action against the Directors.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance function. The Board is responsible for performing the corporate governance duties including (a) to develop and review the Company's policy 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 to employees and Directors; and (e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

In order to preserve independence and to have balanced judgment of views, there is a clear separation of the roles and responsibilities of the Chairman and CEO and the two positions are held by two different members of the Board. The Board has appointed a Chairman, Mr. Tang To, who is an Executive Director and is responsible for the Company's overall strategic planning and provides leadership to the Board so that the Board works effectively and all important issues are discussed in a timely manner. The CEO, Mr. Tang Yu, Freeman, is an Executive Director and is responsible for the daily operation and business directions of the Group.

BOARD COMPOSITION

As at the date of this report, the Board comprises four Executive Directors, being Tang To, Jiang Wei, Wong Yiu Ming and Tang Yu, Freeman, three Non-Executive Directors, being Wu Ding, Kan Wai Wah and Qu Jinping and four Independent Non-Executive Directors, being Yeung Shuk Fan, Cheng Tak Yin, Ho Wei Sem and Huang Zhi Wei.

Except Mr. Tang To, the Chairman and an Executive Director and Mr. Tang Yu, Freeman, the CEO and an Executive Director are father and son, the other Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board. The biographies of the Directors are set out in pages 12 to 14 to the annual report, which demonstrates a diversity of skills, expertise, experience and qualifications.

The Company has received annual confirmation of independence from the four Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-Executive Directors are independent within the definition of the Listing Rules.

APPOINTMENTS, RE-ELECTION, REMOVAL AND NOMINATION OF DIRECTORS

Every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and that any Director appointed to fill a casual vacancy on the Board shall be subject to re-election by shareholders at the first general meeting after the appointment and any Director appointed as an addition to the Board shall hold office until the next following annual general meeting of the Company.

Each of the Non-Executive Director has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company for a term of three years, subject to the rotational retirement provision of the Articles of Association of the Company.

NOMINATION OF DIRECTORS AND NOMINATION COMMITTEE

Regarding the nomination of Directors, the Company established the Nomination Committee on 29th March, 2012 which comprises three Independent Non-Executive Directors namely Ms. Yeung Shuk Fan, Mr. Cheng Tak Yin and Mr. Ho Wei Sem and two Executive Directors namely Mr. Tang To (being the Chairman) and Mr. Tang Yu, Freeman. The Nomination Committee will review the structure, size and composition (including the skills, knowledge and experiences) of the Board on a regular basis and make recommendations regarding any proposed changes, identify suitable individual qualified to become board members and makes recommendation on relevant matters relating to the appointment or re-appointment of Directors if necessary, in particular, to those candidates who can add value to the management through their contributions in the relevant strategic business areas and which appointments will result in the constitution of strong and diverse Board.

Furthermore, the nomination committee will review the structure, size and diversity (including but not limited to gender, age, cultural and educational background) of the Board at least annually to complement the Company's corporate strategy.

Meeting of the Nomination Committee shall be held at least once a year. One meeting was held during the year 2013. The Nomination Committee is of the opinion that the current size and composition of the Board is adequate to facilitate effective decision-making, and is also satisfied that the existing composition of the Board, which as a group provides the core competencies necessary to guide the Group. Terms of Reference of the Nomination Committee is currently available on the HKExnews website and the Company's website.

The attendance of each member of Nomination Committee at the meeting is set out as follows:

Directors	**Number of attendance/ Number of meetings held**
Ms. Yeung Shuk Fan	1/1
Mr. Cheng Tak Yin	1/1
Mr. Ho Wei Sem	1/1
Mr. Tang To	N/A
Mr. Wong Yiu Ming (Resigned as committee member on 1st July, 2013)	1/1
Mr. Tang Yu, Freeman (Appointed as committee member on 1st July, 2013)	

RESPONSIBILITIES OF DIRECTORS

The Directors are continually updated with statute, common law, the Listing Rules, legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

The Independent Non-Executive Directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgment on issues of strategy, policy, performance, key appointments and standard of conduct. They will take lead where potential conflicts of interests arise. They are also members of various committees and examine the overall performance of the Group in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

DELEGATION BY THE BOARD

The day-to-day management of the Company is delegated to the senior management, with division heads responsible for different aspects of the business.

Major corporate matters that are specifically delegated by the Board to the senior management include execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

CORPORATE GOVERNANCE REPORT

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors of the Company are encouraged to attend to Continuous Professional Development training. All the Directors have been supplied with relevant reading materials regarding corporate governance or attend relevant forum or training courses organized by qualified professionals on relevant topics to develop and enhance their knowledge and skill in relation to their contribution to the Board.

The Directors also disclose to the Company their interests as Directors or other offices in other public companies in timely manner and provide updates to the Company on any subsequent changes.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "Model Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code and its code of conduct regarding directors' securities transactions.

SUPPLY OF AND ACCESS TO INFORMATION

All the Directors are supplied with board papers and relevant materials within a reasonable period of time in advance of the intended meeting date. All Directors have unrestricted access to the management for enquiries and are entitled to have unlimited access to the board papers and relevant materials when required. Such information is prepared to enable the Board to make an informed decision on matters placed before it.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company established a Remuneration Committee in June 2005. When determining the remuneration packages the Remuneration Committee will consider factors such as the salaries paid by comparable companies, time commitment of Directors and senior management, job responsibilities, performance of the individual and performance of the Company. The Remuneration Committee has adopted the approach under B.1.2(c)(i) of the code provisions to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management. It will also review and approve performance-based remuneration by reference to the corporate goals and objectives resolved by the Board from time to time. Its work for the year ended 31st December 2013 is summarized as follows:

(i) To determine the policy for remuneration of Directors and to make recommendations with respect to the remuneration of the Executive Directors and the senior management of the Company for approval by the Board;

(ii) To oversee performance of the Executive Directors; and

(iii) To review the remuneration package and recommend salaries, bonuses, including the incentive awards for both Executive and Non-Executive Directors and the senior management.

As at the date of this report, the chairman of the Remuneration Committee is an Independent Non-Executive Director, Mr. Cheng Tak Yin and the remaining members are Ms. Yeung Shuk Fan and Mr. Ho Wei Sem, being Independent Non-Executive Directors and the Chairman of the Board of the Company, Mr. Tang To.

The Remuneration Committee annually sets out its recommendation on the remuneration package of the Executive Directors. For the financial year ended 31st December, 2013, the Remuneration Committee has reviewed and recommended to the Board the salaries and bonuses of the Executive Directors and the senior management of the Company.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee held one meeting during the financial year ended 31st December, 2013 and the attendance of each member's attendance at this meeting is set out as follows:

Directors	Number of attendance/ Number of meetings held
Ms. Yeung Shuk Fan	1/1
Mr. Tang To	1/1
Mr. Cheng Tak Yin	1/1
Mr. Ho Wei Sem	1/1

The terms of reference of the Remuneration Committee is currently made available on the HKExnews website and the Company's website.

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company has adopted a share option scheme in 2005. Such incentive scheme enables the eligible persons to obtain an ownership interest in the Company and thus to reward the participants who contribute to the success of the Group's business and operations.

Details of the amount of Directors emoluments are set out in note 10 to the accounts and details of the 2005 Share Option Scheme are set out in the Report of the Directors and note 29 to the accounts. Remuneration of senior management disclosed by band is set out as follows:

The remuneration of senior management were within the following bands	Number of employees 2013
HK$1,000,001 to HK$2,000,000	2
HK$2,000,001 to HK$3,000,000	1
HK$3,000,001 to HK$4,000,000	1
	4

FINANCIAL REPORTING

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the approval by the Board.

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statement, and announcements to shareholders. The responsibilities of the Directors in relation to the financial statement, should be read in conjunction with, but distinguished from, the Independent Auditor's Report on page 34 which acknowledges the reporting responsibilities of the Group's auditors. The Directors aim to present a balanced and understandable assessment of the Group's, position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the accounts.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Joint Company Secretaries of the Company are Ms. Tam Pui Ling and Mr. Ho Kwong Sang, the chief financial officer of the Group. They are employees of the Company and responsible for providing advices to the Board for ensuring the Board procedures are followed and that the applicable laws and regulations are complied with.

The Joint Company Secretaries of the Company have complied with all the proposed qualifications, experience and training requirements under the Listing Rules.

INTERNAL CONTROLS

Through the Company's internal audit functions, the Directors annually conduct a review of the effectiveness of the system of internal control of the Company which covers all material controls, including financial, operational and compliance controls and risks management functions.

The Board monitors its internal control systems through a programme of internal audits. The internal audit function set up by the Company reviews the major operational and financial control of the Group on a continuing basis and aims to cover all major operations of the Group on a rotational basis. It also reviews regularly the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The internal audit function reports to the Chairman of the Audit Committee.

AUDIT COMMITTEE

During the year under review and up to the date of this report, the Audit Committee comprises all three Independent Non-Executive Directors namely, Ms. Yeung Shuk Fan (being the Chairman of the Audit Committee), Mr. Cheng Tak Yin and Mr. Ho Wei Sem, who among themselves possess a great deal of management experience in the accounting profession and commercial sectors.

The Audit Committee meets the external auditors at least twice a year to discuss any areas of concerns during the audits. As considered necessary and requested by any one or more of the Independent Non-Executive Directors, the Audit Committee shall meet with the external auditors without the presence of the executive Board members. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The terms of reference of the Audit Committee is currently made available on the HKEXnews website and the Company's website.

For the financial year ended 31st December, 2013, the Audit Committee has performed the following duties:

1. reviewed with the management the accounting principles and practices adopted by the Group;

2. reviewed the audited financial statement for the year ended 31st December, 2012 and the unaudited interim financial statement for the six months ended 30th June, 2013 with recommendation to the Board for approval; and

3. reviewed principles and procedures on internal control system covering financial, operational and risk management functions.

CORPORATE GOVERNANCE REPORT

The Audit Committee held two meetings during the financial year ended 31st December, 2013. The attendance of each member's attendance at such meetings is set out as follows:

Directors	Number of attendance/ Number of meetings held
Ms. Yeung Shuk Fan *(Chairman of the Audit Committee)*	2/2
Mr. Cheng Tak Yin	2/2
Mr. Ho Wei Sem	2/2

Full minutes of Audit Committee meetings are kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the Audit Committee meetings are sent to all members of the Audit Committee for their comment and records respectively. First version should be sent out to all members for comment within approximately 30 days and final version will be used for minutes recording purpose.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs. Ting Ho Kwan & Chan, is set out as follows:

	Fee paid/payable HK$
Services rendered	
Audit services	2,201,752
Non-audit services	150,000
	2,351,752

COMMITTEE OF EXECUTIVE DIRECTORS

The Company has established the Committee of Executive Directors which includes all the four Executive Directors of the Board and meets frequently as when necessary and is responsible for the management and day to day operations of the Group.

SHAREHOLDERS' RIGHT

The Company follows a policy of disclosing information to shareholders in a timely manner. Members of the Board meet and communicate with shareholders at the Annual General Meeting of the Company ("AGM"). The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and accompanying circular also set out details of each proposed resolution and other relevant information as required under the Listing Rules. The Chairman proposes separate resolution for each issue to be considered and put each proposed resolution to the vote by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the commencement of the AGM, to ensure that shareholders are familiar with such procedures. Voting results are available in the Company's website at www.cosmel.com on the day after the AGM. The Chairman of the Board has attended at the annual general meeting to be available to answer questions from shareholders.

CORPORATE GOVERNANCE REPORT

In accordance with the Company's Article and the Companies Ordinance, any members holding at the date of the deposit of the requisition not less than one-twentieth of such paid up capital of the Company (which carries the right of voting at the general meetings), is entitled to deposit a requisition to the registered office of the Company to convene an extraordinary general meeting ("EGM") of the Company in accordance with the following procedures.

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company at Units 1217-1223A, 12th Floor, Trade Square, No. 681 Cheung Sha Wan Road, Kowloon, Hong Kong for the attention of the Board or the Company Secretary. The documents may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified by the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Board will convene the EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified as not in order, the requisitionist will be advised of this outcome and the EGM will not be convened as requested.

If within twenty-one days from the date of deposit of the requisition, the Board fails to proceed to convene such meeting, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM in the same manner, all reasonable expenses incurred by the requisitionists by reason of the failure of the Board to duly convene the EGM shall be reimbursed by the Company to the requisitionist(s).

The Board has established a shareholders' communication policy and reviews it on a regular basis to ensure its effectiveness. Our corporate website www.cosmel.com contains an investor relations section which offers timely access to the Company's corporate information, interim and annual reports, announcements and circulars issued by the Company.

INDEPENDENT AUDITOR'S REPORT

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

9th Floor, Tung Ning Building
249-253 Des Voeux Road Central
Hong Kong

香港德輔道中249－253號
東寧大廈9字樓

TO THE MEMBERS OF COSMOS MACHINERY ENTERPRISES LIMITED
大同機械企業有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Cosmos Machinery Enterprises Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 135, which comprise the consolidated and Company balance sheets as at 31st December, 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

TING HO KWAN & CHAN
Certified Public Accountants (practising)

Hong Kong, 27th March, 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2013

	Notes	2013 HK$	2012 HK$
Turnover	*6*	**2,465,110,889**	2,121,594,925
Cost of sales		**(2,117,309,967)**	(1,757,903,363)
Gross profit		**347,800,922**	363,691,562
Other income and gains, net	*6*	**31,091,640**	23,620,498
Distribution costs		**(161,504,360)**	(138,863,457)
Administrative expenses		**(275,826,275)**	(241,614,053)
Allowance for impairment of bad and doubtful debts, net		**(25,690,236)**	(4,717,934)
(Loss) Profit from operations		**(84,128,309)**	2,116,616
Finance costs	*7*	**(18,902,412)**	(19,399,240)
Investment income	*8*	**6,978,130**	4,139,507
Share of results of associates		**2,126,129**	10,126,635
Gain on dissolution/deregistration of subsidiaries		**2,032,652**	–
Gain on disposal of associates		**217,216,593**	–
Impairment loss of available-for-sale financial assets		**(6,201,946)**	–
Gain on dilution of shareholding in an associate		**–**	154,951
Profit (Loss) before taxation	*9*	**119,120,837**	(2,861,531)
Taxation	*11*	**3,904,348**	(10,276,451)
Profit (Loss) for the year		**123,025,185**	(13,137,982)
Attributable to:			
– Equity shareholders of the Company	*12*	**108,389,916**	(24,174,761)
– Non-controlling interests		**14,635,269**	11,036,779
		123,025,185	(13,137,982)
Earnings (Loss) per share for profit (loss) attributable to the equity shareholders of the Company during the year	*14*		
– Basic		**15.12 cents**	(3.37 cents)

Details of the dividends payable and proposed for the year are disclosed in note 15 to the consolidated financial statements.

The notes on pages 45 to 135 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2013

	Note	2013 HK$	2012 HK$
Profit (Loss) for the year		**123,025,185**	(13,137,982)
Other comprehensive income (expense) for the year, net of tax:	*13*		
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of financial statements of foreign operations		**32,665,425**	(314,968)
Change in fair value of available-for-sale financial assets		**(8,367)**	(568,800)
Share of other comprehensive income (expense) of associates		**7,195,484**	(719,416)
Release of translation reserve upon dissolution/deregistration of subsidiaries		**1,312,863**	–
Release of translation reserve upon disposal of associates		**(43,542,822)**	–
		(2,377,417)	(1,603,184)
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of properties held for own use		**3,816,246**	7,405,366
		1,438,829	5,802,182
Total comprehensive income (expense) for the year		**124,464,014**	(7,335,800)
Attributable to:			
– Equity shareholders of the Company		**106,170,553**	(18,927,782)
– Non-controlling interests		**18,293,461**	11,591,982
Total comprehensive income (expense) for the year		**124,464,014**	(7,335,800)

The notes on pages 45 to 135 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At 31st December, 2013

	Notes	2013 HK$	2012 HK$
Non-current Assets			
Property, plant and equipment	*16*	**709,223,232**	708,833,517
Leasehold land and land use rights	*18*	**56,270,840**	56,391,979
Goodwill	*19*	**53,483,406**	–
Intangible assets	*20*	**13,369,670**	–
Interests in associates	*22*	**45,343,437**	421,822,914
Available-for-sale financial assets	*23*	**494,391**	6,704,704
Deferred tax assets	*33*	**25,970,125**	5,642,797
		904,155,101	1,199,395,911
Current Assets			
Inventories	*24*	**640,974,690**	649,601,907
Trade and other receivables	*25*	**794,147,928**	713,698,937
Current tax recoverable		**1,162,588**	672,782
Short-term bank deposits with maturity over three months	*26*	**80,034,812**	–
Pledged bank deposits	*26*	**219,552,949**	53,562,606
Cash and cash equivalents	*26*	**450,826,912**	209,205,918
		2,186,699,879	1,626,742,150
Current Liabilities			
Trade and other payables	*27*	**900,179,697**	846,189,291
Amounts due to associates		**480,877**	1,317,178
Bank borrowings	*31*	**438,128,137**	355,772,004
Obligations under finance leases	*32*	**12,911,338**	15,902,923
Deferred consideration payable		**4,274,257**	–
Current tax payable		**7,217,198**	5,600,639
		1,363,191,504	1,224,782,035
Net Current Assets		**823,508,375**	401,960,115
Total Assets less Current Liabilities		**1,727,663,476**	1,601,356,026

CONSOLIDATED BALANCE SHEET

At 31st December, 2013

	Notes	2013 HK$	2012 HK$
Non-current Liabilities			
Obligations under finance leases	32	**5,193,701**	15,276,525
Deferred tax liabilities	33	**16,429,582**	8,177,552
Deferred consideration payable		**7,514,230**	–
		29,137,513	23,454,077
Net Assets		**1,698,525,963**	1,577,901,949
Equity			
Capital and reserves attributable to equity shareholders of the Company:			
Share capital	28	**286,772,277**	286,772,277
Reserves		**1,187,581,841**	1,092,165,248
Proposed final dividend	15	**10,753,960**	–
		1,485,108,078	1,378,937,525
Non-controlling Interests		**213,417,885**	198,964,424
Total Equity		**1,698,525,963**	1,577,901,949

The consolidated financial statements on pages 36 to 135 were approved and authorised for issue by the Board of Directors on 27th March, 2014 and are signed on its behalf by:

TANG TO
DIRECTOR

TANG YU, FREEMAN
DIRECTOR

The notes on pages 45 to 135 are an integral part of these consolidated financial statements.

BALANCE SHEET

At 31st December, 2013

	Notes	2013 HK$	2012 HK$
Non-current Assets			
Property, plant and equipment	16	**1,409,162**	1,692,680
Interests in subsidiaries	21	**863,036,494**	730,754,933
		864,445,656	732,447,613
Current Assets			
Trade and other receivables		**8,538,912**	4,648,393
Short-term bank deposits with maturity over three months	26	**80,034,812**	–
Pledged bank deposits	26	**167,044,864**	–
Cash and cash equivalents	26	**165,236,862**	314,037
		420,855,450	4,962,430
Current Liabilities			
Trade and other payables		**3,080,860**	2,755,129
Amounts due to subsidiaries		**549,138,827**	56,297,240
Amount due to an associate		**233,912**	233,912
Bank borrowings	31	**128,713,667**	58,043,513
		681,167,266	117,329,794
Net Current Liabilities		**(260,311,816)**	(112,367,364)
Total Assets less Current Liabilities/Net Assets		**604,133,840**	620,080,249
Capital and Reserves			
Share capital	28	**286,772,277**	286,772,277
Reserves	30	**317,361,563**	333,307,972
Total Equity		**604,133,840**	620,080,249

TANG TO
DIRECTOR

TANG YU, FREEMAN
DIRECTOR

The notes on pages 45 to 135 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2013

	Attributable to equity shareholders of the Company											
	Share capital HK$	Share premium HK$	Capital redemption reserve HK$	Share options reserve HK$	Property revaluation reserve HK$	Translation reserve HK$	Others HK$	Proposed final dividend HK$	Retained profits HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance at 1st January, 2012	286,772,277	246,094,114	36,800	379,677	31,985,501	177,949,141	(245,544)	3,584,653	654,898,237	1,401,454,856	189,005,294	1,590,460,150
Loss for the year	–	–	–	–	–	–	–	–	(24,174,761)	(24,174,761)	11,036,779	(13,137,982)
Other comprehensive income for the year:												
Fair value loss:												
– Available-for-sale financial assets	–	–	–	–	–	–	(568,800)	–	–	(568,800)	–	(568,800)
Share of reserves of associates	–	–	–	–	–	(719,416)	–	–	–	(719,416)	–	(719,416)
Surplus on revaluation of properties held for own use	–	–	–	–	8,092,013	–	–	–	–	8,092,013	697,402	8,789,415
Deferred taxation adjustment	–	–	–	–	(1,263,137)	–	–	–	–	(1,263,137)	(120,912)	(1,384,049)
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	–	–	(293,681)	–	–	–	(293,681)	(21,287)	(314,968)
Total other comprehensive income for the year	–	–	–	–	6,828,876	(1,013,097)	(568,800)	–	–	5,246,979	555,203	5,802,182
Total comprehensive income for the year	–	–	–	–	6,828,876	(1,013,097)	(568,800)	–	(24,174,761)	(18,927,782)	11,591,982	(7,335,800)
Transactions with owners:												
Realised on dilution of interest in an associate	–	–	–	–	–	(4,896)	–	–	–	(4,896)	–	(4,896)
Dividend paid to the non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(1,632,852)	(1,632,852)
2011 final dividend paid (note 15(2))	–	–	–	–	–	–	–	(3,584,653)	–	(3,584,653)	–	(3,584,653)
Balance at 31st December, 2012	286,772,277	246,094,114	36,800	379,677	38,814,377	176,931,148	(814,344)	–	630,723,476	1,378,937,525	198,964,424	1,577,901,949

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2013

	Attributable to equity shareholders of the Company											
	Share capital HK$	Share premium HK$	Capital redemption reserve HK$	Share options reserve HK$	Property revaluation reserve HK$	Translation reserve HK$	Others HK$	Proposed final dividend HK$	Retained profits HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance at 1st January, 2013	286,772,277	246,094,114	36,800	379,677	38,814,377	176,931,148	(814,344)	-	630,723,476	1,378,937,525	198,964,424	1,577,901,949
Profit for the year	-	-	-	-	-	-	-	-	108,389,916	108,389,916	14,635,269	123,025,185
Other comprehensive income for the year:												
Fair value loss:												
– Available-for-sale financial assets	-	-	-	-	-	-	(8,367)	-	-	(8,367)	-	(8,367)
Share of reserves of associates	-	-	-	-	-	7,195,484	-	-	-	7,195,484	-	7,195,484
Surplus on revaluation of properties held for own use	-	-	-	-	4,031,741	-	-	-	-	4,031,741	641,770	4,673,511
Deferred taxation adjustment	-	-	-	-	(744,670)	-	-	-	-	(744,670)	(112,595)	(857,265)
Exchange differences arising from translation of financial statements of foreign operations	-	-	-	-	-	29,588,156	-	-	-	29,588,156	3,077,269	32,665,425
Reclassification as a result of disposal of associates	-	-	-	-	-	(43,542,822)	-	-	-	(43,542,822)	-	(43,542,822)
Reclassification as a result of dissolution/deregistration of subsidiaries	-	-	-	-	-	1,261,115	-	-	-	1,261,115	51,748	1,312,863
Total other comprehensive income for the year	-	-	-	-	3,287,071	(5,498,067)	(8,367)	-	-	(2,219,363)	3,658,192	1,438,829
Total comprehensive income for the year	-	-	-	-	3,287,071	(5,498,067)	(8,367)	-	108,389,916	106,170,553	18,293,461	124,464,014
Transactions with owners:												
Realised upon lapse of share options	-	-	-	(379,677)	-	-	-	-	379,677	-	-	-
Dividend paid to the non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(3,840,000)	(3,840,000)
Proposed final dividend (note 15(1))	-	-	-	-	-	-	-	10,753,960	(10,753,960)	-	-	
Balance at 31st December, 2013	286,772,277	246,094,114	36,800	-	42,101,448	171,433,081	(822,711)	10,753,960	728,739,109	1,485,108,078	213,417,885	1,698,525,963

The notes on pages 45 to 135 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2013

	Note	2013 HK$	2012 HK$
OPERATING ACTIVITIES			
(Loss) Profit from operations		**(84,128,309)**	2,116,616
Adjustments for:			
Depreciation of property, plant and equipment		**82,709,640**	76,177,493
Amortisation of leasehold land and land use rights		**1,509,428**	1,469,016
Amortisation of intangible assets		**461,023**	–
(Gain) loss on disposal of property, plant and equipment		**(1,166,485)**	1,700,283
Deficit on revaluation of properties held for own use		**16,536**	91,421
Allowance for impairment of bad and doubtful debts, net		**25,690,236**	4,717,934
Write-down of inventories, net		**56,530,365**	2,537,888
Operating cash flows before movements in working capital		**81,622,434**	88,810,651
Increase in inventories		**(37,571,023)**	(11,217,686)
Increase in trade and other receivables		**(9,908,613)**	(19,645,603)
(Decrease) Increase in trade and other payables		**(67,075,243)**	3,252,192
Cash (used in) generated from operations		**(32,932,445)**	61,199,554
Hong Kong profits tax paid		**(1,301,757)**	(2,551,191)
Overseas tax paid		**(8,738,017)**	(8,851,400)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		**(42,972,219)**	49,796,963
INVESTING ACTIVITIES			
(Increase) Decrease in pledged bank deposits		**(163,906,387)**	13,435,919
Purchase of property, plant and equipment		**(60,416,449)**	(69,726,520)
Purchase of leasehold land and land use rights		**–**	(350,597)
Proceeds from disposal of property, plant and equipment		**2,748,142**	7,715,856
Interest received		**6,978,130**	4,126,056
Dividend received from associates		**4,254,314**	6,282,476
Dividend received from listed available-for-sale financial asset		**–**	13,451
Net cash outflow from acquisition of subsidiaries	*35*	**(112,841)**	–
Proceeds from disposal of associates		**546,959,011**	–
Capital contribution to an associate		**(245,894)**	–
Increase in short-term bank deposits with maturity over three months		**(80,034,812)**	–
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		**256,223,214**	(38,503,359)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2013

	Note	2013 HK$	2012 HK$
FINANCING ACTIVITIES			
Repayment of bank and other loans		**(58,216,865)**	(461,925,497)
Repayment of deferred consideration payable		**(1,387,241)**	–
Interest paid		**(18,902,412)**	(19,399,240)
Repayment of obligations under finance leases		**(15,938,745)**	(14,873,491)
Dividend paid to the non-controlling shareholders of subsidiaries		**(3,840,000)**	(1,632,852)
Dividend paid		**–**	(3,584,653)
Bank loans raised		**147,872,485**	446,503,575
Advances from (to) associates		**4,789,832**	(3,967,156)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		**54,377,054**	(58,879,314)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**267,628,049**	(47,585,710)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**172,561,103**	220,470,000
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**4,826,102**	(323,187)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	26	**445,015,254**	172,561,103

The notes on pages 45 to 135 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2013

1. GENERAL

Cosmos Machinery Enterprises Limited (the "Company") is a public limited company domiciled and incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The address of its registered office is Units 1217-1223A, 12/F., Trade Square, No. 681 Cheung Sha Wan Road, Kowloon, Hong Kong. The principal activities of its principal subsidiaries are set out in note 43.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties held for own use and certain financial assets, which are carried at fair value.

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

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

– has power over the investee;
– is exposed, or has rights, to variable returns from its involvement with the investee; and
– has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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 owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

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

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation *(Continued)*

Business combinations (Continued)

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Investments in associates *(Continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

Properties held for own use are stated at their revalued amounts, being their fair value at the date of revaluation less any subsequent accumulated depreciation. 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 items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (see note 2(h)).

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 expensed in profit or loss during the financial period in which they are incurred.

Revaluations on properties held for own use are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from which would be determined using fair values at the balance sheet date.

Changes arising on the revaluation of properties held for own use are generally dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values (if any) over their estimated useful lives, as follows:

Leasehold land held for own use under finance leases	Unexpired term of the leases
Buildings held for own use	40 years or unexpired term of the leases, if shorter
Furniture, fixtures and equipment	3 – 10 years
Plant and machinery	5 – 10 years
Motor vehicles	3 – 10 years

The assets' residual values (if any) and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Assets under construction represent buildings, structures, plant and machinery and other fixed assets under construction or installation and are stated at cost less any accumulated impairment losses, and are not depreciated. Cost comprises direct costs of construction, installation and testing as well as capitalised borrowing costs on related borrowed funds during the period of construction or installation. Assets under construction are reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

(e) Leasehold land and land use rights

Leasehold land and land use rights are lump sum upfront payments to acquire long-term interest in certain lessee-occupied properties.

Leasehold land and land use rights relating to certain buildings of the Group are stated at cost and are amortised over the period of the lease on the straight-line basis to profit or loss.

(f) Goodwill

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets (Other than goodwill)

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation (where the estimated useful life is finite) and accumulated impairment losses (see note 2(h)), on the same basis as intangible assets that are acquired separately.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(h) Impairment of assets

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

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

– significant financial difficulty of the debtor;

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

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

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

– For investments in associates recognised using the equity method (see note 2(c)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(h)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(h)(ii).

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

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

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

(ii) Impairment of other assets

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

– property, plant and equipment (other than leasehold land held for own use under finance leases and properties carried at revalued amounts);

– land and land use rights classified as being held under an operating lease;

– investments in subsidiaries and associates (except for those classified as held for sale or included in a disposal group that is classified as held for sale);

– goodwill; and

– intangible assets

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(i) Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently carried at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Trade and other receivables, short-term bank deposits with maturity over three months, pledged bank deposits and cash and cash equivalents in the balance sheet are classified as loans and receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets *(Continued)*

(iii) Available-for-sale financial assets

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

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

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income and accumulated separately in equity in the fair value reserve.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are reclassified through other comprehensive income to the income statement.

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

Investments in unquoted equity instruments whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less any impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets *(Continued)*

(iii) Available-for-sale financial assets (Continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, by reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. 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. Other borrowing costs are expensed in the period in which they are incurred. Capitalisation of such borrowing costs ceases when 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 capitalised.

(k) Government grants

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transactions for similar services, when such information is obtainable, is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(l)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(l)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or where not present obligations at the date of acquisition are disclosed in accordance with note 2(l)(iii).

(iii) Other provisions and contingent liabilities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(iii) Other provisions and contingent liabilities (Continued)

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

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and, after initial recognition, at amortised cost less any allowance for impairment of bad and doubtful debts, except for the following receivables:

– interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any allowance for impairment of bad and doubtful debts, and

– short term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any allowance for impairment of bad and doubtful debts.

(o) Cash and cash equivalents

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

Pledged bank deposits are not included in cash and cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Share capital

Ordinary shares are classified as equity.

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

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity shareholders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity shareholders.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities (if any) measured in accordance with note 2(l)(i), trade and other payables are subsequently stated at amortised cost, except for the following payables:

– short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount; and

– interest-free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

(r) Bank and other borrowings

Bank and other borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Bank and other borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

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

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

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

  - the same taxable entity; or

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits

(i) Retirement benefit costs

Payments to defined contribution plans under the mandatory provident fund scheme, the ORSO scheme and state-managed retirement benefits scheme are charged as expenses as they fall due.

(ii) Profit-sharing and bonus plans

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

(iii) Share-based compensation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods are recognised when a Group entity has delivered products to the customer and the customer has accepted the products and recovery of the related receivables is reasonably assured.

(ii) Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the period of the leases.

(iii) Handling and services income are recognised when services are provided.

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

(v) Dividend income is recognised when the shareholder's right to receive payment is established prior to the balance sheet date.

(v) Leases

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

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Group. All other leases are classified as operating leases.

(i) Leases of land and buildings

Whenever necessary, in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

The land element is classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term. The building element is classified as a finance or operating lease in the same way as leases of other assets. The payments made on acquiring land held under an operating lease are recognised in the balance sheet as leasehold land and land use rights which are stated at cost and are amortised on a straight-line basis over the period of the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Leases *(Continued)*

(i) Leases of land and buildings (Continued)

If the lease payments on a lease of land and buildings cannot be allocated reliably between the land and building elements at the inception of the lease or the relevant lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

(ii) Finance leases

Assets held under finance leases are recognised in the balance sheet at amounts equal to the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liabilities, net of finance charges, on the finance leases are recorded as obligations under finance leases. All assets held under finance leases are classified as property, plant and equipment, except for those properties held to earn rental income which are classified as investment property, in the balance sheet.

Depreciation and impairment losses are calculated and recognised in the same manner as the depreciation and impairment losses on property, plant and equipment as set out in note 2(e), except for the estimated useful lives cannot exceed the relevant lease terms, if shorter.

Minimum lease payments are apportioned between finance charge and the reduction of the outstanding liabilities. The finance charge is recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Operating leases

Where the Group is the lessee, lease payments under an operating lease are recognised as an expense on a straight-line basis over the period of the lease term. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on a straight-line basis over the lease period. Contingent rentals are charged as an expense in the periods in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Dividend distribution

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(x) Segment reporting

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) 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 HK dollars, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except those arising from qualifying cash flow hedges or qualifying net investment hedges which are recognised in other comprehensive income.

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

(iii) Group companies

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

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

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

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss when gain or loss on disposal is recognised.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the year-end closing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Related parties

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

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

(2) has significant influence over the Group; or

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

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

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

(2) 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).

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

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

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

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

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

3. CHANGES IN ACCOUNTING POLICIES

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

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 44). Impacts of the adoption of the new or amended HKFRS are discussed below:

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

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these consolidated financial statements has been modified accordingly. In addition, the Group has still chosen to use the existing titles of "consolidated income statement" and "consolidated statement of comprehensive income" instead of using the new titles "consolidated statement of profit or loss" and "consolidated statement of profit or loss and other comprehensive income" as introduced by the amendments in these consolidated financial statements.

HKFRS 10, Consolidated financial statements

HKFRS 10, replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the presentation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determine whether it has control over an investee. The adoption does not change any of the control conclusion reached by the Group in respect of its involvement with other entities as at 1 January 2013.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, Interests in joint ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangement which are classified as joint operation's under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice. However, the Group does not have any joint ventures.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structure entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 21 and 22.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 17 and 41. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. These amendments do not have any material impact on the results of operations and financial position of the Group for the years presented.

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions. Where the expectation is different from the original estimate, such difference will impact the carrying amount of goodwill and the impairment (if any) in the period in which such estimate has been changed.

(ii) Allowance for impairment of trade and other receivables

The Group assesses impairment of trade and other receivables based upon evaluation of the recoverability of the trade and other receivables at each balance sheet date. The estimates are based on the ageing of the trade and other receivables and the historical write-off experience. If the financial condition of the debtors were to deteriorate, additional impairment may be required. A considerable level of judgement is exercised by the directors when assessing the financial condition and credit worthiness of each customer. An increase or decrease in the impairment loss would affect the net profit in future years.

(iii) Income taxes

The Group is subject to income taxes mainly in Hong Kong and the People's Republic of China (the "PRC"). Significant judgement is 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 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.

Recognition of deferred tax assets, which principally relate to allowance for doubtful debts and tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(iv) Provision for inventories

The Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value in accordance with the accounting policy set out in note 2(m). The directors estimate the net realisable value based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's net asset value.

(v) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of such financial asset is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5. SEGMENT REPORTING

The Group manages its business by a mixture of both business lines and geographical location. In a manner consistent with the way in which information is reported internally to the Group's top management for the purposes of assessing segment performance and allocating resources between segments, the Group has identified, on a product basis, the following four reportable segments.

(1) trading of industrial consumables;
(2) manufacturing of plastic processing products;
(3) manufacturing of machinery; and
(4) manufacturing and trading of printed circuit boards.

Segment results, assets and liabilities

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

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets and corporate expenses.

5. SEGMENT REPORTING *(Continued)*

Segment results, assets and liabilities *(Continued)*

The segment results for the year ended 31st December, 2013 are as follows:

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Eliminations HK$	Consolidated HK$
TURNOVER							
External sales	408,339,673	392,504,656	972,043,779	682,950,523	9,272,258	-	2,465,110,889
Inter-segment sales	22,424,752	329,854	6,670,005	-	6,188,302	(35,612,913)	-
Total revenue	430,764,425	392,834,510	978,713,784	682,950,523	15,460,560	(35,612,913)	2,465,110,889

Inter-segment sales are charged at prevailing market rates.

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Eliminations HK$	Consolidated HK$
RESULTS							
Segment results	30,357,237	(38,653,706)	(81,103,426)	36,601,118	(4,085,614)	361,427	(56,522,964)
Unallocated corporate expenses							(27,605,345)
Loss from operations							(84,128,309)
Finance costs							(18,902,412)
Investment income							6,978,130
Share of results of associates							2,126,129
Gain on dissolution/ deregistration of subsidiaries							2,032,652
Gain on disposal of associates							217,216,593
Impairment loss of available-for-sale financial assets							(6,201,946)
Profit before taxation							119,120,837
Taxation							3,904,348
Profit before non-controlling interests							123,025,185

5. SEGMENT REPORTING *(Continued)*

Segment results, assets and liabilities *(Continued)*

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Consolidated HK$
ASSETS						
Segment assets	256,653,673	384,514,165	1,258,923,407	550,325,381	96,348,257	2,546,764,883
Interests in associates						45,343,437
Available-for-sale financial assets						494,391
Unallocated corporate assets						498,252,269
Consolidated total assets						3,090,854,980
LIABILITIES						
Segment liabilities	59,696,764	79,870,923	511,039,296	255,180,724	3,034,280	908,821,987
Current tax payable						7,217,198
Borrowings						456,233,176
Unallocated corporate liabilities						20,056,656
Consolidated total liabilities						1,392,329,017
OTHER INFORMATION						
Capital additions	1,139,172	16,702,171	32,871,878	11,838,383	677,813	63,229,417
Depreciation and amortisation	1,356,545	15,366,230	39,325,002	26,585,264	1,586,027	84,219,068
Other non-cash expenses	958,980	13,326,489	66,625,425	(2,880,000)	4,206,243	82,237,137
Share of results of associates	-	(920,096)	1,543,558	27,045	1,475,622	2,126,129

5. SEGMENT REPORTING *(Continued)*

Segment results, assets and liabilities *(Continued)*

The segment results for the year ended 31st December, 2012 are as follows:

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Eliminations HK$	Consolidated HK$
TURNOVER							
External sales	374,805,995	332,364,236	843,923,611	565,985,877	4,515,206	–	2,121,594,925
Inter-segment sales	17,984,250	278,415	3,905,002	–	6,410,144	(28,577,811)	–
Total revenue	392,790,245	332,642,651	847,828,613	565,985,877	10,925,350	(28,577,811)	2,121,594,925

Inter-segment sales are charged at prevailing market rates.

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Eliminations HK$	Consolidated HK$
RESULTS							
Segment results	23,553,121	(20,215,389)	1,529,693	22,933,611	1,247,608	(102,583)	28,946,061
Unallocated corporate expenses							(26,829,445)
Profit from operations							2,116,616
Finance costs							(19,399,240)
Investment income							4,139,507
Share of results of associates							10,126,635
Gain on dilution of shareholding in an associate							154,951
Loss before taxation							(2,861,531)
Taxation							(10,276,451)
Loss before non-controlling interests							(13,137,982)

5. SEGMENT REPORTING *(Continued)*

Segment results, assets and liabilities *(Continued)*

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Consolidated HK$
ASSETS						
Segment assets	232,844,699	380,301,176	1,244,420,808	445,757,886	34,660,986	2,337,985,555
Interests in associates						421,822,914
Available-for-sale financial assets						6,704,704
Unallocated corporate assets						59,624,888
Consolidated total assets						2,826,138,061
LIABILITIES						
Segment liabilities	53,734,678	81,414,444	484,316,957	216,278,866	8,460,181	844,205,126
Current tax payable						5,600,639
Borrowings						386,951,452
Unallocated corporate liabilities						11,478,895
Consolidated total liabilities						1,248,236,112
OTHER INFORMATION						
Capital additions	197,038	30,875,627	25,910,861	19,772,924	220,667	76,977,117
Depreciation and amortisation	1,514,443	15,108,079	34,030,143	25,423,991	1,569,853	77,646,509
Other non-cash expenses	1,978,092	1,499,019	2,053,377	1,600,000	216,758	7,347,246
Share of results of associates	–	(782,394)	2,794,085	–	8,114,944	10,126,635

5. SEGMENT REPORTING *(Continued)*

Geographical information

The Group's operations are located in Hong Kong, other regions in the PRC, other Asia-Pacific countries, North America and Europe. The Group's trading of industrial consumables division is located in Hong Kong and the PRC. The manufacturing of plastic processing products, machinery and printed circuit boards divisions are located in the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2013	2012
	HK$	HK$
Hong Kong	**662,691,443**	642,725,325
PRC	**1,554,638,765**	1,231,902,213
Other Asia-Pacific countries	**205,802,553**	203,219,350
North America	**16,008,359**	10,404,569
Europe	**25,969,769**	33,343,468
	2,465,110,889	2,121,594,925

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2013	2012	**2013**	2012
	HK$	HK$	**HK$**	HK$
Hong Kong	**1,328,352,995**	689,206,265	**1,885,196**	947,434
PRC	**1,730,728,060**	2,100,677,679	**61,344,221**	76,029,683
Other Asia-Pacific countries	**26,358,555**	30,007,174	**–**	–
North America	**2,701,055**	2,691,407	**–**	–
Europe	**2,714,315**	3,555,536	**–**	–
	3,090,854,980	2,826,138,061	**63,229,417**	76,977,117

Information about major customers

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the year (2012: Nil) and no information about major customers is presented accordingly.

6. TURNOVER, OTHER INCOME AND GAINS, NET

Turnover represents the amounts received and receivable for goods sold to customers, less returns and discounts, during the year. An analysis of the Group's turnover, other income and gains, net is as follows:

	2013 HK$	2012 HK$
Turnover		
Sales of goods	**2,465,110,889**	2,121,594,925
Other income		
Gross rental income from properties	**589,664**	533,734
Handling, tooling and sales of scrapped materials	**8,039,386**	7,815,477
Government grants	**8,650,935**	1,516,206
Sundry income	**12,645,170**	13,755,081
	29,925,155	23,620,498
Gains, net		
Gain on disposal of property, plant and equipment	**1,166,485**	–
	31,091,640	23,620,498

7. FINANCE COSTS

	2013 HK$	2012 HK$
Interest on:		
Bank borrowings wholly repayable within 5 years	**18,019,765**	18,466,834
Finance leases	**713,888**	932,406
Imputed interest expense on deferred consideration payable	**168,759**	–
	18,902,412	19,399,240

8. INVESTMENT INCOME

	2013 HK$	2012 HK$
Interest income	6,978,130	4,126,056
Dividend income from listed available-for-sale financial asset	–	13,451
	6,978,130	4,139,507

9. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation has been arrived at after charging (crediting) the following:

	2013 HK$	2012 HK$
Charging:		
Directors' remuneration	12,812,500	14,459,708
Staff costs (excluding directors' remuneration)		
– Salaries and other benefits	381,477,950	337,471,553
– Retirement benefits scheme contributions	16,964,068	18,469,166
Total staff costs	411,254,518	370,400,427
Depreciation and amortisation on:		
– Owned assets	77,058,450	73,661,995
– Intangible assets	461,023	–
– Assets held under finance leases	4,928,520	1,980,770
– Leasehold land held for own use under finance leases	722,670	534,728
– Leasehold land and land use rights	1,509,428	1,469,016
Loss on disposal of property, plant and equipment	–	1,700,283
Deficit on revaluation of properties held for own use	16,536	91,421
Exchange loss, net	4,372,750	302,456
Auditors' remuneration		
– Current year	3,099,884	2,725,739
– (Over) underprovision in prior years	(4,400)	56,668
Operating lease payments – Land and buildings	24,524,806	22,029,820
and crediting:		
Rental income net of nil direct outgoings	(589,664)	(533,734)

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' remuneration for the year ended 31st December, 2013, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Name of directors	Directors' fees HK$	Salaries and allowances HK$	Retirement benefits scheme contributions HK$	2013 Total HK$
Executive directors				
Mr. Tang To	3,479,000	1,051,000	148,500	4,678,500
Mr. Wong Yiu Ming [(1)]	4,240,000	2,080,000	216,000	6,536,000
Mr. Jiang Wei	60,000	–	–	60,000
Mr. Tang Yu, Freeman [(2)]	–	1,055,000	15,000	1,070,000
Non-executive directors				
Mr. Kan Wai Wah	60,000	–	–	60,000
Mr. Ho Wei Sem	60,000	–	–	60,000
Miss. Yeung Shuk Fan	168,000	–	–	168,000
Mr. Cheng Tak Yin	60,000	–	–	60,000
Mr. Wu Ding	60,000	–	–	60,000
Mr. Qu Jinping	–	–	–	–
Mr. Huang Zhi Wei	60,000	–	–	60,000
Total	8,247,000	4,186,000	379,500	12,812,500

Notes:

(1) Mr. Wong Yiu Ming was also the chief executive of the Company up to 30th June, 2013 and his emoluments disclosed above include those for services rendered by him as the chief executive.

(2) On 1st July, 2013, Mr. Tang Yu, Freeman is appointed as the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

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

(a) **Directors' emoluments** *(Continued)*

Directors' remuneration for the year ended 31st December, 2012, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Name of directors	Directors' fees HK$	Salaries and allowances HK$	Retirement benefits scheme contributions HK$	2012 Total HK$
Executive directors				
Mr. Tang To	4,010,579	1,255,000	161,550	5,427,129
Mr. Wong Yiu Ming [(1)]	5,303,159	2,050,000	213,750	7,566,909
Mr. Jiang Wei	60,000	–	–	60,000
Mr. Tang Yu, Freeman	93,920	830,000	13,750	937,670
Non-executive directors				
Mr. Kan Wai Wah	60,000	–	–	60,000
Mr. Ho Wei Sem	60,000	–	–	60,000
Miss. Yeung Shuk Fan	168,000	–	–	168,000
Mr. Cheng Tak Yin	60,000	–	–	60,000
Mr. Wu Ding	60,000	–	–	60,000
Mr. Qu Jinping	–	–	–	–
Mr. Huang Zhi Wei [(2)]	60,000	–	–	60,000
Total	9,935,658	4,135,000	389,050	14,459,708

Notes:

(1) Mr. Wong Yiu Ming is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(2) Appointed on 2nd November, 2012.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

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

(b) Employees' emoluments

The five highest paid individuals included two (2012: two) directors, details of whose emoluments are set out above. The emoluments of the remaining three (2012: three) individuals are as follows:

	2013 HK$	2012 HK$
Salaries and other benefits	**7,401,690**	9,511,762
Retirement benefits scheme contributions	**288,855**	242,934
	7,690,545	9,754,696

The emoluments of the employees were within the following bands:

	Number of employees 2013	2012
HK$1,000,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$5,000,000	**–**	1
	3	3

11. TAXATION

The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2012: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

	2013 **HK$**	2012 HK$
Current tax:		
Hong Kong profits tax		
Current year	**2,282,003**	2,088,709
Overprovision in prior years	**(491,359)**	(59,482)
	1,790,644	2,029,227
Overseas tax		
Current year	**8,386,298**	6,735,480
Underprovision in prior years	**892,819**	2,303,249
	9,279,117	9,038,729
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences	**(14,974,109)**	(791,505)
Taxation (credit) charge	**(3,904,348)**	10,276,451

11. TAXATION *(Continued)*

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the domestic taxation rates applicable to profits/(losses) of the consolidated companies as follows:

	2013 HK$	2012 HK$
Profit (loss) before taxation	**119,120,837**	(2,861,531)
Tax calculated at the domestic income tax rate of 16.5% (2012: 16.5%)	**19,654,938**	(472,152)
Tax effect of share of results of associates	**(350,808)**	(1,670,894)
Tax effect of expenses that are not deductible in determining taxable profit	**9,145,221**	3,231,122
Tax effect of income that is not taxable in determining taxable profit	**(42,677,645)**	(2,529,508)
Overprovision of current tax in current year, net	**–**	107,930
Underprovision of current tax in prior years, net	**401,460**	2,240,962
Tax effect of utilisation of previously not recognised deductible temporary differences	**(11,430,144)**	–
Tax effect of temporary differences/tax losses not recognised	**23,380,170**	8,110,606
Tax effect of utilisation of tax losses not previously recognised	**(2,422,838)**	(749,777)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**395,298**	2,008,162
Taxation (credit) charge	**(3,904,348)**	10,276,451

12. PROFIT (LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The profit (loss) attributable to equity shareholders of the Company dealt with in the financial statements of the Company is the loss of HK$15,946,409 (2012: loss of HK$12,081,699).

13. OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR, NET OF TAX

Tax effects relating to each component of other comprehensive income

	2013			2012		
	Before tax amount HK$	Tax expenses HK$	Net-of-tax amount HK$	Before tax amount HK$	Tax expenses HK$	Net-of-tax amount HK$
Change in fair value of available-for-sale financial assets	(8,367)	–	(8,367)	(568,800)	–	(568,800)
Share of other comprehensive income (expense) of associates	7,195,484	–	7,195,484	(719,416)	–	(719,416)
Surplus on revaluation of properties held for own use	4,673,511	(857,265)	3,816,246	8,789,415	(1,384,049)	7,405,366
Exchange differences arising from translation of financial statements of foreign operations	32,665,425	–	32,665,425	(314,968)	–	(314,968)
Release of translation reserve upon dissolution/ deregistration of subsidiaries	1,312,863	–	1,312,863	–	–	–
Release of translation reserve upon disposal of associates	(43,542,822)	–	(43,542,822)	–	–	–
	2,296,094	(857,265)	1,438,829	7,186,231	(1,384,049)	5,802,182

14. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share

The calculation of basic earnings (loss) per ordinary share is based on the Group's profit (loss) attributable to equity shareholders of the Company divided by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Weighted average number of ordinary shares in issue during the year	**716,930,692**	716,930,692
Profit (loss) attributable to the equity shareholders of the Company	**HK$108,389,916**	(HK$24,174,761)
Basic earnings (loss) per share	**15.12 cents**	(3.37 cents)

No diluted earnings per share is presented as the Company did not have any potential ordinary shares outstanding.

15. DIVIDEND

(1) **Dividend payable to equity shareholders of the Company attributable to the year**

	2013 **HK$**	2012 HK$
Dividend proposed after the balance sheet date of HK$0.015 (2012: HK$ Nil) per share	**10,753,960**	–

(2) **Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year**

	2013 **HK$**	2012 HK$
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$Nil (2012: HK$0.005) per share	–	3,584,653

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2013

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land held for own use under finance leases HK$	Buildings held for own use HK$	Furniture, fixtures and equipment HK$	Plant and machinery HK$	Motor vehicles HK$	Assets under construction HK$	Total HK$
THE GROUP							
COST OR VALUATION							
At 1st January, 2012	21,588,000	183,309,000	208,663,336	642,386,380	45,740,522	168,457,005	1,270,144,243
Currency realignment	–	(40,855)	(29,450)	(82,244)	(7,905)	(41,553)	(202,007)
Additions	–	779,011	12,865,274	25,983,237	3,594,265	33,404,733	76,626,520
Reclassifications	–	161,558,841	3,805,209	34,354,720	86,956	(199,805,726)	–
Disposals	–	–	(10,425,179)	(53,508,891)	(5,679,203)	–	(69,613,273)
Adjustment on revaluation	4,118,000	(4,511,997)	–	–	–	–	(393,997)
At 31st December, 2012 and 1st January, 2013	**25,706,000**	**341,094,000**	**214,879,190**	**649,133,202**	**43,734,635**	**2,014,459**	**1,276,561,486**
Currency realignment	**-**	**10,124,261**	**3,830,324**	**12,487,619**	**956,415**	**63,288**	**27,461,907**
Acquired on acquisition of subsidiaries	**-**	**-**	**5,839,115**	**-**	**-**	**-**	**5,839,115**
Additions	**-**	**2,589,081**	**14,139,397**	**19,397,241**	**2,764,512**	**24,339,186**	**63,229,417**
Reclassifications	**-**	**20,259,993**	**(8,021,787)**	**10,193,347**	**-**	**(22,431,553)**	**-**
Disposals	**-**	**-**	**(8,671,542)**	**(36,646,951)**	**(3,416,464)**	**-**	**(48,734,957)**
Adjustment on revaluation	**2,144,000**	**(9,401,335)**	**-**	**-**	**-**	**-**	**(7,257,335)**
At 31st December, 2013	**27,850,000**	**364,666,000**	**221,994,697**	**654,564,458**	**44,039,098**	**3,985,380**	**1,317,099,633**
Analysis of cost or valuation:							
At 31st December, 2013							
At cost	**-**	**-**	**221,994,697**	**654,564,458**	**44,039,098**	**3,985,380**	**924,583,633**
At valuation	**27,850,000**	**364,666,000**	**-**	**-**	**-**	**-**	**392,516,000**
	27,850,000	**364,666,000**	**221,994,697**	**654,564,458**	**44,039,098**	**3,985,380**	**1,317,099,633**
At 31st December, 2012							
At cost	–	–	214,879,190	649,133,202	43,734,635	2,014,459	909,761,486
At valuation	25,706,000	341,094,000	–	–	–	–	366,800,000
	25,706,000	341,094,000	214,879,190	649,133,202	43,734,635	2,014,459	1,276,561,486

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

	Leasehold land held for own use under finance leases HK$	Buildings held for own use HK$	Furniture, fixtures and equipment HK$	Plant and machinery HK$	Motor vehicles HK$	Assets under construction HK$	Total HK$
THE GROUP							
ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1st January, 2012	–	–	137,306,746	391,241,883	32,254,538	–	560,803,167
Currency realignment	–	17,218	14,209	1,950	3,057	–	36,434
Reclassifications	–	–	(8,243)	–	8,243	–	–
Depreciation provided for the year	534,728	8,540,045	18,673,694	44,125,905	4,303,121	–	76,177,493
Written back on disposals	–	–	(9,566,521)	(45,887,885)	(4,742,728)	–	(60,197,134)
Eliminated on revaluation	(534,728)	(8,557,263)	–	–	–	–	(9,091,991)
At 31st December, 2012 and 1st January, 2013	**-**	**-**	**146,419,885**	**389,481,853**	**31,826,231**	**-**	**567,727,969**
Currency realignment	**-**	**349,762**	**2,310,019**	**7,507,015**	**642,997**	**-**	**10,809,793**
Acquired on acquisition of subsidiaries	**-**	**-**	**5,696,609**	**-**	**-**	**-**	**5,696,609**
Reclassifications	**-**	**-**	**1,562,320**	**(1,562,320)**	**-**	**-**	**-**
Depreciation provided for the year	**722,670**	**10,841,878**	**18,881,352**	**48,172,244**	**4,091,496**	**-**	**82,709,640**
Written back on disposals	**-**	**-**	**(7,524,683)**	**(36,646,951)**	**(2,981,666)**	**-**	**(47,153,300)**
Eliminated on revaluation	**(722,670)**	**(11,191,640)**	**-**	**-**	**-**	**-**	**(11,914,310)**
At 31st December, 2013	**-**	**-**	**167,345,502**	**406,951,841**	**33,579,058**	**-**	**607,876,401**
NET BOOK VALUES							
At 31st December, 2013	**27,850,000**	**364,666,000**	**54,649,195**	**247,612,617**	**10,460,040**	**3,985,380**	**709,223,232**
At 31st December, 2012	25,706,000	341,094,000	68,459,305	259,651,349	11,908,404	2,014,459	708,833,517

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

The net book value of leasehold land held for own use under finance leases held by the Group:

	2013	2012
	HK$	HK$
In Hong Kong:		
– under medium-term leases	**27,850,000**	25,706,000

The leasehold land and buildings of the Group were revalued as at 31st December, 2013 on the open market existing use basis by Cushman & Wakefield Valuation Advisory Services (HK) Ltd., an independent firm of professional valuers. The surplus arising on revaluation attributable to the Group has been credited to the other comprehensive income for the year and is accumulated separately in equity in property revaluation reserve.

Depreciation expense of HK$50,244,228 (2012: HK$51,718,989) has been expensed in cost of goods sold, HK$2,713,926 (2012: HK$2,673,799) in selling and distribution costs and HK$29,751,486 (2012: HK$21,784,705) in administrative expenses.

Had leasehold land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of leasehold land and buildings would have been HK$310,694,410 (2012: HK$300,923,414).

The net book value of the Group's plant and machinery includes an amount of HK$51,170,173 (2012: HK$60,044,648) in respect of assets held under finance leases (note 40).

At 31st December, 2013, certain of the Group's buildings with an aggregate carrying value of HK$76,020,000 (2012: HK$58,590,000) were pledged to secure certain bank borrowings granted to the Group (note 40).

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

	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
THE COMPANY			
COST			
At 1st January, 2012	5,014,618	1,551,485	6,566,103
Additions	121,716	–	121,716
Disposals	(327,490)	–	(327,490)
At 31st December, 2012 and 1st January, 2013	**4,808,844**	**1,551,485**	**6,360,329**
Additions	**60,955**	**505,777**	**566,732**
Disposals	**(103,653)**	**(319,880)**	**(423,533)**
At 31st December, 2013	**4,766,146**	**1,737,382**	**6,503,528**
ACCUMULATED DEPRECIATION			
At 1st January, 2012	3,026,791	1,050,720	4,077,511
Depreciation provided for the year	714,896	202,732	917,628
Written back on disposals	(327,490)	–	(327,490)
At 31st December, 2012 and 1st January, 2013	**3,414,197**	**1,253,452**	**4,667,649**
Depreciation provided for the year	**649,750**	**200,499**	**850,249**
Written back on disposals	**(103,653)**	**(319,879)**	**(423,532)**
At 31st December, 2013	**3,960,294**	**1,134,072**	**5,094,366**
NET BOOK VALUES			
At 31st December, 2013	805,852	603,310	1,409,162
At 31st December, 2012	1,394,647	298,033	1,692,680

17. FAIR VALUE MEASUREMENT OF PROPERTIES

(i) Fair value hierarchy

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

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

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurement at 31st December, 2013 categorised into			
	Fair value at 31st December, 2013 HK$	**Level 1 HK$**	**Level 2 HK$**	**Level 3 HK$**	**Fair value at 31st December, 2012 HK$**
The Group					
Recurring fair value measurement					
Leasehold land held for own use under finance lease	27,850,000	–	–	27,850,000	25,706,000
Buildings held for own use	364,666,000	–	–	364,666,000	341,094,000

During the year ended 31st December, 2013, there were no transfers into or out of level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

All of the Group's leasehold land held for own use under finance lease and buildings held for own use were revalued as at 31st December, 2013. The valuations were carried out by an independent firm of professional valuer, Cushman & Wakefield Valuation Advisory Services (HK) Ltd., which is a world-wide commercial real estate services firm with recent experience in the location and category of property being valued. The Group's property manager and the chief financial officer have discussion with the valuer on the valuation assumptions and valuation results when the valuation is performed at the annual reporting date.

17. FAIR VALUE MEASUREMENT OF PROPERTIES *(Continued)*

(ii) Information about Level 3 fair value measurement

	Valuation techniques	Unobservable input	Range
Leasehold land held for own use under finance leases and buildings held for own use	Direct comparison approach	Premium/(discount) on quality of building	–40% – 20%
	Income approach	Yield adopted	4.5% – 9.5%

The fair value of properties located in Hong Kong and certain properties located in PRC is determined using direct comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's properties compared to the recent sales. The valuations take into account the characteristic of the properties which included the location, size, view, floor level, year of completion and other factors collectively. Higher premium for higher quality properties will result in a higher fair value measurement.

The fair value of other properties in PRC is determined using income approach by the capitalization of the net rental income derived from the existing leases and/or achievable in existing market with reversionary income potential by adopting appropriate capitalisation rates. Capitalisation is estimated by the valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value. Prevailing market rents are estimated based on recent lettings within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	HK$
Leasehold land held for own use under finance leases:	
At 1st January, 2013	25,706,000
Depreciation provided for the year	(722,670)
Surplus on revaluation	2,866,670
At 31st December, 2013	27,850,000
Buildings held for own use:	
At 1st January, 2013	341,094,000
Additions	2,589,081
Reclassification	20,259,993
Currency realignment	9,774,499
Depreciation provided for the year	(10,841,878)
Surplus on revaluation	1,790,305
At 31st December, 2013	364,666,000

Surplus on revaluation and currency adjustment of leasehold land held for own use under finance leases and buildings held for own use is recognised in other comprehensive income in "property revaluation reserve" and "translation reserve" respectively.

18. LEASEHOLD LAND AND LAND USE RIGHTS

	THE GROUP	
	2013	2012
	HK$	HK$
COST		
At 1st January	**67,392,602**	67,054,479
Currency realignment	**1,599,822**	(12,474)
Additions	**–**	350,597
At 31st December	**68,992,424**	67,392,602
ACCUMULATED AMORTISATION		
At 1st January	**11,000,623**	9,530,734
Currency realignment	**211,533**	873
Amortisation for the year	**1,509,428**	1,469,016
At 31st December	**12,721,584**	11,000,623
NET BOOK VALUE		
At 31st December	**56,270,840**	56,391,979
At 1st January	**56,391,979**	57,523,745

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

	2013	2012
	HK$	HK$
Outside Hong Kong held on:		
Medium-term leases	**56,270,840**	56,391,979

At 31st December, 2013, certain of the Group's land use rights with an aggregate carrying value of HK$9,221,769 (2012: HK$20,466,967) were pledged to secure certain bank borrowings granted to the Group (note 40).

19. GOODWILL

THE GROUP

	HK$
COST	
At 1st January, 2012 and 31st December, 2012	–
Acquisition of subsidiaries	53,483,406
At 31st December, 2013	53,483,406
ACCUMULATED IMPAIRMENT	
At 1st January, 2012, 31st December, 2012 and 31st December, 2013	–
CARRYING AMOUNT	
At 31st December, 2013	53,483,406
At 31st December, 2012	–

Details of goodwill arose from the acquisition of 100% equity interest in KFE Hong Kong Co., Limited ("KFE") are set out in note 35. For the purpose of impairment testing, goodwill has been allocated to an individual cash generating unit ("CGU"), representing KFE, a subsidiary in the manufacturing and trading of printed circuit boards segment.

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 17.75% per annum. The cash flows beyond that five-year period have been extrapolated using a steady 2.65% per annum growth rate. This growth rate is based on the printed circuit boards industry growth forecasts and does not exceed the average long-term growth rate for the printed circuit boards industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimations are based on KFE's past performance and management's expectations for the market development. The directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of KFE to exceed the aggregate recoverable amount of KFE.

The directors reviewed the carrying value of the goodwill, taking into account an independent valuation report prepared by a professional valuer, Cushman & Wakefield Valuation Advisory Services (HK) Ltd. Based on the assessment and the valuation report, the directors are of the opinion that no impairment loss is necessary as at 31st December, 2013.

20. INTANGIBLE ASSETS

THE GROUP

	Customer Relationship HK$
COST	
At 1st January, 2012 and 31st December, 2012	–
Acquisition of subsidiaries *(note 35)*	13,830,693
At 31st December, 2013	13,830,693
ACCUMULATED AMORTISATION	
At 1st January, 2012 and 31st December, 2012	–
Amortisation for the year	461,023
At 31st December, 2013	461,023
NET BOOK VALUE	
At 31st December, 2013	13,369,670
At 31st December, 2012	–

Customer relationship is amortised on a straight-line basis over the useful life of 10 years.

THE COMPANY

The Company has no intangible assets as at 31st December, 2013.

21. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2013	2012
	HK$	HK$
Unlisted shares/capital contributions, at cost	**40,179,796**	40,184,956
Less: impairment losses	**–**	5,160
	40,179,796	40,179,796
Amounts due from subsidiaries	**838,366,894**	706,120,743
Less: allowance for impairment of doubtful debts	**15,510,196**	15,545,606
	822,856,698	690,575,137
	863,036,494	730,754,933

Details of the Company's principal subsidiaries at 31st December, 2013 are set out in note 43.

Amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Other than the carrying amounts of HK$69,750,000 (2012: HK$13,500,000) which are interest bearing, the remaining balances are interest free. In the opinion of the directors, the amounts will not be repayable within 12 months of the balance sheet date and are accordingly classified as non-current. The amounts due from subsidiaries of HK$15,547,761 (2012: HK$15,585,671) were impaired. It is assessed that a small portion of the receivables is expected to be recovered. The individually impaired receivables mainly relate to subsidiaries which are in financial difficulties and they are of age over three years. The other amounts due from subsidiaries do not contain impaired assets.

The movements on the allowance for impairment of doubtful debts are as follows:

	THE COMPANY	
	2013	2012
	HK$	HK$
At 1st January	**15,545,606**	15,545,606
Impairment loss recognised	**14,355**	–
Uncollectible amount written off	**(49,765)**	–
At 31st December	**15,510,196**	15,545,606

The Group does not have any subsidiary which has non-controlling interests material to the Group.

22. INTERESTS IN ASSOCIATES

	THE GROUP	
	2013	2012
	HK$	HK$
Unlisted shares, at cost	**15,114,861**	14,589,743
Share of post-acquisition profits and reserves, net of dividends received	**15,715,270**	18,107,587
	30,830,131	32,697,330
Listed shares in the PRC, at cost	**–**	8,360,510
Share of post-acquisition profits and reserves, net of dividends received	**–**	355,223,420
	–	363,583,930
	30,830,131	396,281,260
Amounts due from associates	**14,513,306**	25,541,654
	45,343,437	421,822,914
Market value of listed shares in the PRC	**–**	751,874,214

(a) Amounts due from associates are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within 12 months of the balance sheet date and are accordingly classified as non-current. The amounts due from associates do not contain impaired assets.

(b) Interests in associates at the balance sheet date include goodwill of HK$312,724 (2012: HK$312,724).

22. INTERESTS IN ASSOCIATES *(Continued)*

Details of the principal associates of the Group at 31st December, 2013 are as follows:

Name of associate	Place of incorporation/ registration and operation	Proportion of nominal value of registered capital attributable to the Group %	Principal activities
Dalian Huada Plastics Co., Ltd	The PRC	30.00	Plastic processing
Suzhou Sanguang Science & Technology Co., Ltd	The PRC	21.13	Manufacturing of industrial machinery, equipment and supplies
Guangzhou Polyten Experimental Analysis Instrument Co., Ltd.	The PRC	22.50	Manufacturing and trading of the experimental analysis instrument

The interest in Shenzhen Haoningda Meters Co., Ltd., a company listed in PRC, has been disposed of by the Group during the year. Gain on disposal of associates has been recognised in the consolidated income statement.

The above table lists out the associates of the Group which, in the opinion of the directors, principally affect the results of the Group for the year or form a substantial portion of the net assets of the Group at the end of the year.

The names of certain associates referred to as above represent management's translation of the Chinese names of these companies as no English names have been registered.

22. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Shenzhen Haoningda Meters Co., Ltd.	
	2013	2012
	HK$	HK$
Gross amount of the associate		
Current assets	–	1,451,609,760
Non-current assets	–	268,279,215
Current liabilities	–	(551,612,000)
Non-current liabilities	–	(14,042,277)
Equity	–	1,154,234,698
Revenue	**281,194,222**	751,546,509
Profit for the year	**4,688,164**	26,020,910
Other comprehensive income	**21,097,740**	(1,046,697)
Total comprehensive income	**25,785,904**	24,974,213
Reconciled to Group's interests in the associate		
Gross amounts of net assets of the associate	–	1,154,234,698
Group's effective interest	–	31.5%
Group's share of net assets	–	363,583,930
Carrying amount in the consolidated financial statements	–	363,583,930

Aggregate information of associates that are not individually material:

	2013	2012
	HK$	HK$
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**30,830,131**	32,697,330
Aggregate amounts of the Group's share of those associates'		
Profit from continuing operations	**5,825,511**	10,788,471
Other comprehensive income	**4,476,062**	(9,572)
Total comprehensive income	**10,301,573**	10,778,899

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP 2013 HK$	2012 HK$
Unlisted equity securities, at cost	**6,376,006**	6,376,006
Impairment losses	**(6,376,006)**	(174,060)
	–	6,201,946
Listed equity securities outside Hong Kong, at market value	**494,391**	502,758
	494,391	6,704,704

Unlisted equity securities of the Group are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price on active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Changes in listed equity securities are recognised in other comprehensive income.

As at 31st December, 2013, all of the Group's unlisted available-for-sale equity securities were individually determined to be fully impaired on the basis of a material decline in their recoverable amounts below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investments in them may not be recovered. Impairment loss of HK$6,201,946 (2012: nil) on these investments were recognised in profit or loss in accordance with the policy set out in note 2(h)(i).

24. INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	THE GROUP 2013 HK$	2012 HK$
Trading inventories and finished goods	**273,232,853**	257,300,074
Work in progress	**136,623,745**	145,751,508
Raw materials	**231,118,092**	246,550,325
	640,974,690	649,601,907

At 31st December, 2013, the carrying amount of inventories that were stated at fair value less costs to sell is HK$172,561,410.

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	THE GROUP 2013 HK$	2012 HK$
Carrying amount of inventories sold	**2,053,004,644**	1,737,485,431
Write-down of inventories	**61,085,745**	4,978,311
Reversal of write-down of inventories	**(4,555,380)**	(2,440,423)
	2,109,535,009	1,740,023,319

25. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2013	2012
	HK$	HK$
Trade and bills receivables	**773,902,111**	670,794,453
Less: allowance for impairment of bad and doubtful debts	**84,164,963**	71,914,921
Trade and bills receivables, net	**689,737,148**	598,879,532
Other receivables	**65,304,815**	92,148,867
Less: allowance for impairment of bad and doubtful debts	**20,019,714**	18,122,438
Other receivables, net	**45,285,101**	74,026,429
Prepayments	**58,859,994**	40,129,423
Amounts due from related parties	**265,685**	663,553
	794,147,928	713,698,937

The directors consider that the carrying amounts of trade and other receivables approximate to their fair values. In the opinion of the directors, all trade and other receivables are expected to be recovered or recognised as expense within one year.

The Group allows an average credit period of 90 days to 120 days for customers. The ageing analysis of the Group's trade and bills receivables, based on the invoice date and net of allowances, at the balance sheet date is as follows:

	THE GROUP	
	2013	2012
	HK$	HK$
0 to 3 months	**475,278,450**	440,521,434
4 to 6 months	**95,312,182**	63,358,957
7 to 9 months	**55,055,974**	35,203,313
Over 9 months	**64,090,542**	59,795,828
	689,737,148	598,879,532

25. TRADE AND OTHER RECEIVABLES *(Continued)*

The movements on the allowance for impairment of bad and doubtful debts of the Group are as follows:

	Trade receivables	
	2013	2012
	HK$	HK$
At 1st January	**71,914,921**	80,134,369
Currency realignment	**2,009,167**	(11,659)
Impairment loss recognised	**19,286,391**	3,563,410
Unused amounts reversed	**(3,480,000)**	(499,475)
Uncollectible amounts written off	**(5,565,516)**	(11,271,724)
At 31st December	**84,164,963**	71,914,921

	Other receivables	
	2013	2012
	HK$	HK$
At 1st January	**18,122,438**	18,870,447
Currency realignment	**573,999**	(1,463)
Impairment loss recognised	**9,883,845**	1,653,999
Uncollectible amounts written off	**(8,560,568)**	(2,400,545)
At 31st December	**20,019,714**	18,122,438

The above allowance for impairment of bad and doubtful debts is a provision for individually impaired trade receivables and fully impaired other receivables. The individually impaired trade receivables mainly represent sales made to the PRC customers which have remained long overdue. The fully impaired other receivables relate to debtors that have been long outstanding without settlement or having any business relationship with the Group. The Group does not hold any collateral or other credit enhancements over these balances.

At 31st December, 2013, trade and bills receivables of HK$92,080,559 (2012: HK$77,963,070) were impaired. The amount of allowance was HK$84,164,963 as at 31st December, 2013 (2012: HK$71,914,921). It is assessed that a portion of the receivables is expected to be recovered.

25. TRADE AND OTHER RECEIVABLES *(Continued)*

The ageing analysis of the trade and bills receivables that are considered to be impaired is as follows:

	THE GROUP	
	2013	2012
	HK$	HK$
Less than 6 months past due	**7,522,252**	9,775,616
6 months to 1 year past due	**1,919,728**	500,323
1 year to 3 years past due	**18,511,859**	6,520,957
Over 3 years past due	**64,126,720**	61,166,174
	92,080,559	77,963,070

The ageing analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	THE GROUP	
	2013	2012
	HK$	HK$
Neither past due nor impaired	**523,668,796**	445,386,375
Less than 6 months past due	**126,191,697**	99,183,297
6 months to 1 year past due	**20,603,968**	24,067,580
1 year to 3 years past due	**10,967,540**	19,986,401
Over 3 years past due	**389,551**	4,207,730
	681,821,552	592,831,383

Receivables that were neither past due or impaired relate to a large number of diversified customers for whom there were no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment 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 or other credit enhancements over these balances.

25. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in trade and other receivables are the following amounts denominated in the following currencies:

	THE GROUP	
	2013	2012
United States Dollars	**29,966,937**	23,034,592
Renminbi	**385,984,653**	358,273,327
Japanese Yen	**80,281,360**	47,979,153

26. CASH AND BANK BALANCES

(a) Short-term bank deposits with maturity over three months

Included in short-term bank deposits with maturity over three months in the balance sheets are the following amounts denominated in the following currency:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
Renminbi	**63,068,094**	–	**636,068,094**	–

(b) Pledged bank deposits

Included in pledged bank deposits in the balance sheets are the following amounts denominated in the following currency:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
Renminbi	**172,483,837**	–	**131,516,337**	–

(c) Cash and cash equivalents

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$	HK$	**HK$**	HK$
Bank balances and cash	**450,826,912**	209,205,918	**165,236,862**	314,037

26. CASH AND BANK BALANCES *(Continued)*

(c) Cash and cash equivalents *(Continued)*

Cash and cash equivalents include the following for the purpose of the consolidated statement of cash flows:

	THE GROUP	
	2013	2012
	HK$	HK$
Bank balances and cash per above	**450,826,912**	209,205,918
Bank overdrafts *(note 31)*	**(5,811,658)**	(36,644,815)
	445,015,254	172,561,103

Included in bank balances and cash in the balance sheets are the following amounts denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
United States Dollars	**4,798,260**	4,544,203	**3,315**	3,315
Renminbi	**249,664,253**	128,936,969	**93,926,807**	9,456
Japanese Yen	**15,168,600**	13,125,571	**–**	–
Euro Dollars	**23,023**	61,810	**–**	–

27. TRADE AND OTHER PAYABLES

	THE GROUP	
	2013	2012
	HK$	HK$
Trade and bills payables	**636,033,423**	555,170,095
Accruals and other payables	**254,546,274**	290,636,646
Amounts due to related parties	**9,600,000**	382,550
	900,179,697	846,189,291

The directors consider that the carrying amount of trade and other payables approximates to their fair value. In the opinion of the directors, all trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The ageing analysis of the Group's trade and bills payables at the balance sheet date is as follows:

	THE GROUP	
	2013	2012
	HK$	HK$
0 to 3 months	**478,975,605**	422,900,873
4 to 6 months	**100,532,892**	106,678,996
7 to 9 months	**46,018,839**	17,572,213
Over 9 months	**10,506,087**	8,018,013
	636,033,423	555,170,095

Included in trade and other payables are the following amounts denominated in the following currencies:

	THE GROUP	
	2013	2012
United States Dollars	**12,958,732**	10,177,541
Renminbi	**552,947,329**	534,964,451
Japanese Yen	**97,789,239**	142,300,549
Euro Dollars	**152,401**	492,255

28. SHARE CAPITAL

	Number of ordinary shares	Value HK$
Ordinary shares of HK$0.40 each		
Authorized:		
At 1st January, 2012, 31st December, 2012 and 31st December, 2013	1,000,000,000	400,000,000
Issued and fully paid:		
At 1st January, 2012, 31st December, 2012 and 31st December, 2013	**716,930,692**	**286,772,277**

During the year, no share options were exercised.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

29. SHARE OPTION SCHEME

On 30th May, 2005, the shareholders of the Company adopted a share option scheme (the "Scheme") which will expire on 29th May, 2015 for the primary purpose of providing incentives to selected participants including directors, full-time employees of the Group, chief executive, associates of executive director or chief executive, consultants, professional and other advisers of the Group (the "Participants"). Under the Scheme, the board of directors of the Company may at its discretion offer options to the Participants to subscribe for shares in the Company at a consideration of HK$1 for each lot of share options granted. Options granted should be accepted within 28 days from the date of grant.

The exercise price is determined by the directors of the Company and will not be less than the highest of (i) the closing price of the shares on the date of grant, (ii) the average closing price of the shares for the 5 business days immediately preceding the date of grant, or (iii) the nominal value of the Company's shares.

Unless a prior approval from the Company's shareholders is sought, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 70,622,885 shares, being 10% of the shares of the Company in issue as at the date of shareholders' approval of the Scheme and represents 9.85% of the issued share capital of the Company as at the date of this annual report.

The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes, must not, in aggregate, exceed 30% of the total number of shares of the Company in issue from time to time.

29. SHARE OPTION SCHEME *(Continued)*

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is granted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors' resolution at a general meeting, the Scheme shall be valid and effective for a period of 10 years after the date of adoption of the Scheme.

The maximum number of shares (issued and to be issued) in respect of which options may be granted to any eligible person in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue, unless a shareholders' approval has been obtained.

The following table discloses details of the Company's share options held by directors and employees and movements in the Scheme during the year ended 31st December, 2013.

				Number of share options				
Grantee	Date of grant[(1)]	Exercisable period	Exercise price per share HK$	Outstanding and exercisable at 31.12.2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding and exercisable at 31.12.2013
Director								
Mr. Wong Yiu Ming	24.05.2010	15.06.2010–14.06.2013	0.66	6,000,000	–	–	(6,000,000)	–
Employees								
In aggregate	24.05.2010	25.05.2010–19.06.2013 [(2)]	0.66	8,000,000	–	–	(8,000,000)	–
				14,000,000	–	–	(14,000,000)	–

Notes:

(1) The closing price of the Company's shares on the trading day, 24th May, 2010, being the date of grant of options was HK$0.62.

(2) The exercisable period of share options granted to employees is 3 years commencing from the respective dates of acceptance of each particular employee which varied from 25th May, 2010 to 20th June, 2010.

(3) All options were lapsed during the year ended 31st December, 2013 and no option outstanding at 31st December, 2013 had a weighted average remaining contractual life (2012: 0.5 years).

(4) No option was granted, exercised and or cancelled during the year ended 31st December, 2013.

29. SHARE OPTION SCHEME *(Continued)*

The following table discloses details of the Company's share options held by directors and employees and movements in the Scheme during the year ended 31st December, 2012.

				Number of share options				
Grantee	Date of grant[1]	Exercisable period	Exercise price per share HK$	Outstanding and exercisable at 31.12.2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding and exercisable at 31.12.2012
Director								
Mr. Wong Yiu Ming	24.05.2010	15.06.2010–14.06.2013	0.66	6,000,000	–	–	–	6,000,000
Employees								
In aggregate	24.05.2010	25.05.2010–19.06.2013 [2]	0.66	8,000,000	–	–	–	8,000,000
				14,000,000	–	–	–	14,000,000

Notes:

(1) The closing price of the Company's shares on the trading day, 24th May, 2010, being the date of grant of options was HK$0.62.

(2) The exercisable period of share options granted to employees is 3 years commencing from the respective dates of acceptance of each particular employee which varied from 25th May, 2010 to 20th June, 2010.

(3) The options outstanding at 31st December, 2012 had a weighted average remaining contractual life of 0.5 years.

29. SHARE OPTION SCHEME *(Continued)*

In determining the share option benefit expense, management appointed RHL Appraisal Limited which used The Hull White Trinomial Model (the "Model") to provide a valuation report of the share option benefit expense. The Company has used the Model with the consideration of vesting period and possible exercise pattern to certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. Details of the fair values of share options determined at the date of grant on 24th May, 2010 using the Model with the inputs are as follows:

	Directors	Employees
Exercise price	HK$0.66	HK$0.66
Dividend yield	Nil	Nil
Expected volatility	68.95%	69.52%
Risk-free-interest rate	1.178%	0.924%
Expected life of option	3	3
Expected multiple	1.05714	1.03928
Closing share price at valuation date	HK$0.66	HK$0.62
Fair value of share option at valuation date	HK$0.033	HK$0.022

The expected volatility, which is based on the approximate weekly historical volatility of closing prices of the share of the Company in the past one year immediately before the date of grant, reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The risk free rates are based on 1 year yield of Hong Kong Exchange Fund Notes as at valuation date. Dividend yield is based on historical dividend trend and expected future dividend policy determined by the Company. Dilution effect is factored for the valuation of the share options based on the outstanding shares as of the valuation date. No other features of options grant were incorporated into the measurement of fair value.

30. RESERVES

THE COMPANY

	Share premium HK$	Capital redemption reserve HK$	Share options reserve HK$	Retained profits HK$	Proposed final dividend HK$	Total HK$
Balance at 1st January, 2012	246,094,114	36,800	379,677	98,879,080	3,584,653	348,974,324
Loss for the year	–	–	–	(12,081,699)	–	(12,081,699)
2011 final dividend paid	–	–	–	–	(3,584,653)	(3,584,653)
Balance at 31st December, 2012	246,094,114	36,800	379,677	86,797,381	-	333,307,972
Loss for the year	-	-	-	(15,946,409)	-	(15,946,409)
Lapse of share options	-	-	(379,677)	379,677	-	-
Proposed final dividend	-	-	-	(10,753,960)	10,753,960	-
Balance at 31st December, 2013	**246,094,114**	**36,800**	**-**	**60,476,689**	**10,753,960**	**317,361,563**

31. BANK BORROWINGS

	THE GROUP 2013 HK$	THE GROUP 2012 HK$	THE COMPANY 2013 HK$	THE COMPANY 2012 HK$
Bank borrowings				
– secured	**182,325,108**	77,171,044	**95,000,000**	–
– unsecured	**249,991,371**	241,956,145	**30,000,000**	44,612,500
Bank overdrafts *(note 26)*				
– unsecured	**5,811,658**	36,644,815	**3,713,667**	13,431,013
Total borrowings	**438,128,137**	355,772,004	**128,713,667**	58,043,513

31. BANK BORROWINGS *(Continued)*

At 31st December, 2013, the bank borrowings were repayable as follows:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$	HK$	**HK$**	HK$
Within 1 year	**438,128,137**	355,772,004	**128,713,667**	58,043,513
Between 1 and 2 years	**–**	–	**–**	–
Between 2 and 5 years	**–**	–	**–**	–
Over 5 years	**–**	–	**–**	–
	438,128,137	355,772,004	**128,713,667**	58,043,513

The aggregate carrying amount of the Group's loans as at 31st December, 2013 (that are repayable more than one year after the balance sheet date but contain a repayment on demand clause) that have been reclassified as current liabilities is HK$20,601,770 (2012: HK$6,491,506).

The aggregate carrying amount of the Company's loans as at 31st December, 2013 (that are repayable more than one year after the balance sheet date but contain a repayment on demand clause) that have been reclassified as current liabilities is HK$Nil (2012: HK$Nil).

These loans are callable by the lenders, but the management does not expect the lenders to exercise their rights to demand repayment in normal circumstances.

The effective interest rate as at 31st December, 2013 for bank borrowings and overdrafts is 3.67% per annum (2012: 4.45% per annum).

31. BANK BORROWINGS *(Continued)*

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

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$	HK$	**HK$**	HK$
Hong Kong Dollars	**294,617,601**	230,842,311	**128,713,667**	58,043,513
Renminbi	**128,751,621**	124,929,693	**–**	–
USD	**14,759,095**	–	**–**	–
	438,128,317	355,772,004	**128,713,667**	58,043,513

The Group has the following undrawn borrowing facilities:

	2013	2012
	HK$	HK$
Floating rate		
– expiring within one year	**567,682,357**	463,891,897

The facilities expiring within one year are annual facilities subject to review at various dates during 2013.

Bank borrowings are secured by certain buildings and leasehold land and land use rights of the Group (notes 16 and 18).

32. OBLIGATIONS UNDER FINANCE LEASES

THE GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	**2013**	2012
	HK$	HK$	**HK$**	HK$
Amounts payable under finance lease:				
Within 1 year	**13,430,997**	16,654,257	**12,911,338**	15,902,923
Between 2 to 5 years	**5,489,265**	15,693,254	**5,193,701**	15,276,525
	18,920,262	32,347,511	**18,105,039**	31,179,448
Less: Future finance charges	**815,223**	1,168,063	**N/A**	N/A
Present value of lease payments	**18,105,039**	31,179,448	**18,105,039**	31,179,448
Less: Amount due for settlement within 1 year under current liabilities			**12,911,338**	15,902,923
Amount due for settlement after 1 year			**5,193,701**	15,276,525

It is the Group's policy to lease certain of its plant and machinery under finance leases. The lease term is expiring from three to four years. For the year ended 31st December, 2013, the average effective borrowing rate was 2.85% per annum (2012: 2.39% per annum). Interest is charged at one month HIBOR to 5.75% per annum (2012: one month HIBOR to 5.75% per annum) on the outstanding loan balances. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

THE COMPANY

The Company has no obligations under finance leases for both of the year end dates.

33. DEFERRED TAXATION

THE GROUP

Deferred taxation is calculated in full on temporary difference under the liability method using a principal taxation rate of 16.5% (2012: 16.5%).

The following are the major components of deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior years:

	Intangible assets arising from business combination HK$	Accelerated tax depreciation HK$	Revaluation of land and building HK$	Tax losses HK$	Others HK$	Total HK$
At 1st January, 2012	–	(2,959,069)	(4,688,851)	1,506,684	4,197,227	(1,944,009)
Currency realignment	–	(1,167)	350	(1,600)	4,215	1,798
Charged to equity	–	–	(1,384,049)	–	–	(1,384,049)
(Charged) credited to income statement *(note 11)*	–	(879,158)	–	(648,474)	2,319,137	791,505
At 31st December, 2012 and 1st January, 2013	**-**	**(3,839,394)**	**(6,072,550)**	**856,610**	**6,520,579**	**(2,534,755)**
Currency realignment	**-**	**(136,539)**	**(52,634)**	**-**	**299,547**	**110,374**
Through acquisition of subsidiaries *(note 35)*	**(2,282,064)**	**-**	**-**	**130,144**	**-**	**(2,151,920)**
Charged to equity	**-**	**-**	**(857,265)**	**-**	**-**	**(857,265)**
(Charged) credited to income statement *(note 11)*	**76,068**	**(1,724,086)**	**(3,186)**	**(856,610)**	**17,481,923**	**14,974,109**
At 31st December, 2013	**(2,205,996)**	**(5,700,019)**	**(6,985,635)**	**130,144**	**24,302,049**	**9,540,543**

For the purposes of balance sheet presentation, certain deferred tax assets (liabilities) have been offset in accordance with the conditions set out in HKAS 12. The following is the analysis of the deferred tax balances shown in the consolidated balance sheet:

	2013 HK$	2012 HK$
Deferred tax assets	**25,970,125**	5,642,797
Deferred tax liabilities	**(16,429,582)**	(8,177,552)
	9,540,543	(2,534,755)

33. DEFERRED TAXATION *(Continued)*

THE GROUP *(Continued)*

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. At 31st December, 2013, the Group has unrecognised tax losses of HK$376,051,650 (2012: HK$339,517,756) available for offset against future profits. Included in unrecognised tax losses are losses of HK$108,796,067 (2012: HK$86,664,146) that will expire in five years and the remaining balance does not expire under the current tax legislation. Temporary differences arising in connection with interests in associates are insignificant.

THE COMPANY

At 31st December, 2013, the Company has unutilised tax losses of HK$175,414,755 (2012: HK$166,827,562) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses do not expire under current tax legislation. The Company has no significant unprovided deferred tax liabilities at both of the year end dates.

34. MAJOR NON-CASH TRANSACTIONS

During the year, the Group acquired property, plant and equipment with an aggregate cost of HK$63,229,417 of which HK$2,812,968 was acquired by means of finance leases (2012: HK$6,900,000). Cash payments of HK$60,416,449 were made to purchase property, plant and equipment (2012: HK$70,077,117).

35. ACQUISITION OF SUBSIDIARIES

During the year, Gainbase Industrial (Holding) Limited, a 52% owned subsidiary of the Company, entered into a sale and purchase agreement with MA International Co., Limited, an independent third party, to acquire 100% of the issued share capital of KFE, a company incorporated in Hong Kong, at a total consideration of USD2,400,000 (approximately HK$18,672,000). KFE and its subsidiaries are principally engaged in trading of laminates and printed circuit boards. The acquisition was completed on 14th August, 2013.

The following table summarises the consideration paid for the above acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date.

	KFE carrying amount before combination HK$	Fair value adjustments HK$	Fair value HK$
Total consideration satisfied by:			
Cash consideration of USD600,000			4,668,000
Fair value of the deferred consideration payable of USD1,800,000 (HK$14,004,000)			13,175,728
			17,843,728
Less: Recognised amounts of identifiable assets acquired and liability assumed:			
Property, plant and equipment *(note 16)*	142,506	–	142,506
Intangible assets (customer relationship) *(note 20)*	–	13,830,693	13,830,693
Investment in an associate	279,224	–	279,224
Deferred tax assets *(note 33)*	130,144	–	130,144
Inventories	1,694,725	–	1,694,725
Trade and other receivables	72,085,629	–	72,085,629
Pledged bank deposits	401,183	–	401,183
Cash and cash equivalents	4,555,159	–	4,555,159
Trade and other payables	(103,841,504)	–	(103,841,504)
Amount due to an associate	(247,793)	–	(247,793)
Amount due to a former shareholder	(2,334,000)	–	(2,334,000)
Bank borrowings	(20,053,580)	–	(20,053,580)
Deferred tax liabilities arising from Intangible assets acquired *(note 33)*	–	(2,282,064)	(2,282,064)
Total net identifiable assets and liabilities	(47,188,307)	11,548,629	(35,639,678)
Goodwill *(note 19)*			53,483,406

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition of a subsidiary, net of cash and cash equivalents acquired

	HK$
Cash consideration paid	(4,668,000)
Cash and cash equivalents acquired	4,555,159
Net cash outflow from acquisition of a subsidiary	(112,841)

The fair value of trade and other receivables was HK$69,571,133 and HK$2,514,496 respectively. The gross contractual amount for trade receivables due was HK$77,010,423, of which HK$7,439,290 was expected to be uncollectable. The gross contractual amount for other receivables due was HK$17,169,884, of which HK$14,655,388 was expected to be uncollectable.

The revenue and profit for the year included in the consolidated profit or loss since the acquisition date contributed by the above acquired subsidiary amounted to approximately HK$125,941,000 and HK$12,660,000 respectively.

Had the acquisition been completed on 1st January, 2013, total Group's revenue and profit for the year ended 31st December 2013 would be approximately HK$316,766,000 and HK$26,715,000 respectively.

Acquisition-related costs of HK$885,715 have been charged to administrative expenses in the consolidated income statement for the year ended 31st December, 2013.

Goodwill arose in the acquisition of KFE because the cost of the combination included a control premium paid to acquire its business. In addition, the consideration paid for the combination included amounts in relation to the benefit of expected synergies to be achieved from integrating the subsidiary into the Group's existing business, future market development and the assembled workforce of KFE. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Pursuant to the sale and purchase agreement, the deferred consideration payable is interest-free and payable by 36 months instalments from date of completion of the acquisition. The fair value adjustment of the deferred consideration payable on initial recognition was estimated to be HK$828,272 based on an effective interest rate of 4% per annum.

During the year, imputed interest expense of HK$168,759 (note 7) was charged to finance cost in the consolidated income statement for the year ended 31st December, 2013.

36. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2013	2012
	HK$	HK$
Within 1 year	**22,919,088**	19,719,661
Between 2 to 5 years	**20,525,387**	30,016,783
Over 5 years	**15,809,120**	15,050,839
	59,253,595	64,787,283

Operating lease payments represent rentals payable by the Group for certain of its office properties, factories and plant and machinery. Leases are negotiated mostly for terms of ranging from 1 to 10 years and rentals are almost fixed for the said term.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receipts under non-cancellable operating leases:

	THE GROUP	
	2013	2012
	HK$	HK$
Within 1 year	**254,388**	231,841

The Company as lessee

At the balance sheet date, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE COMPANY	
	2013	2012
	HK$	HK$
Within 1 year	**7,719,855**	4,381,465

37. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$	HK$	**HK$**	HK$
Capital expenditure:				
Authorised but not contracted for	**94,767,750**	–	**–**	–
Contracted but not provided for	**6,593,793**	28,522,888	**–**	–
	101,361,543	28,522,888	**–**	–

38. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$	HK$	**HK$**	HK$
Guarantees given to financial institutions in respect of credit facilities utilised by – subsidiaries	**–**	–	**214,536,568**	1,184,536,628

In the opinion of the directors, the fair value of the liabilities in relation to the above guarantees is insignificant as at 31st December, 2013 and 31st December, 2012.

39. RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the “ORSO Scheme”) and a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5.0% of relevant payroll costs to the Scheme, which contribution is matched by the employee.

39. RETIREMENT BENEFITS SCHEMES *(Continued)*

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5.0% to 7.5% of the employee's basic salary, depending on the length of service with the Group.

Employees who are employed by subsidiaries in the PRC are members of the state-managed pension scheme operated by the PRC government. These subsidiaries are required to contribute 16% – 20% of payroll costs to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated income statement of HK$17,343,568 (2012: HK$18,858,216) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31st December, 2013, contributions of HK$2,947,180 (2012: HK$835,795) due in respect of the reporting period had not been paid over to the schemes.

40. PLEDGE OF ASSETS

At the balance sheet date, assets with the following carrying amounts were pledged by the Group to secure general banking facilities:

	2013 **HK$**	2012 HK$
Buildings	**76,020,000**	58,590,000
Leasehold land and land use rights	**9,221,769**	20,466,967
Plant and machinery	**51,170,173**	60,044,648
Bank deposits	**219,552,949**	53,562,606
	355,964,891	192,664,221

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) **Financial instruments by categories**

The accounting policies for financial instruments have been applied to the line items below:

THE GROUP

	Loans and receivables HK$	Available-for-sale financial assets HK$	Total HK$
Assets as per consolidated balance sheet			
31st December, 2013			
Available-for-sale financial assets *(note 23)*	**–**	**494,391**	**494,391**
Amounts due from associates *(note 22)*	**14,513,306**	**–**	**14,513,306**
Trade and other receivables	**735,287,934**	**–**	**735,287,934**
Pledged bank deposits *(note 40)*	**219,552,949**	**–**	**219,552,949**
Short-term bank deposits with maturity over three months	**80,034,812**	**–**	**80,034,812**
Cash and cash equivalents *(note 26)*	**450,826,912**	**–**	**450,826,912**
Total	**1,500,215,913**	**494,391**	**1,500,710,304**
31st December, 2012			
Available-for-sale financial assets *(note 23)*	–	6,704,704	6,704,704
Amounts due from associates *(note 22)*	25,541,654	–	25,541,654
Trade and other receivables	673,569,514	–	673,569,514
Pledged bank deposits *(note 40)*	53,562,606	–	53,562,606
Cash and cash equivalents *(note 26)*	209,205,918	–	209,205,918
Total	961,879,692	6,704,704	968,584,396

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) **Financial instruments by categories** *(Continued)*

THE GROUP

	Financial liabilities at amortised cost
	HK$
Liabilities as per consolidated balance sheet	
31st December, 2013	
Trade and other payables	**785,774,223**
Amounts due to associates	**480,877**
Bank borrowings *(note 31)*	**438,128,137**
Obligations under finance leases *(note 32)*	**18,105,039**
Deferred consideration payable	**11,788,487**
Total	**1,254,276,763**
31st December, 2012	
Trade and other payables	720,810,560
Amounts due to associates	1,317,178
Bank borrowings *(note 31)*	355,772,004
Obligations under finance leases *(note 32)*	31,179,448
Total	1,109,079,190

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(a) **Financial instruments by categories** *(Continued)*

THE COMPANY

	Loans and receivables HK$
Assets as per balance sheet	
31st December, 2013	
Amounts due from subsidiaries *(note 21)*	**822,856,698**
Trade and other receivables	**8,199,612**
Short-term bank deposits with maturity over three months	**80,034,812**
Pledged bank deposits	**167,044,864**
Cash and cash equivalents *(note 26)*	**165,236,862**
Total	**1,243,372,848**
31st December, 2012	
Amounts due from subsidiaries *(note 21)*	690,575,137
Trade and other receivables	4,352,324
Cash and cash equivalents *(note 26)*	314,037
Total	695,241,498

	Financial liabilities at amortised cost HK$
Liabilities as per balance sheet	
31st December, 2013	
Trade and other payables	**1,440,498**
Amounts due to subsidiaries	**549,138,827**
Amount due to an associate	**233,912**
Bank borrowings *(note 31)*	**128,713,667**
Total	**679,526,904**
31st December, 2012	
Trade and other payables	1,150,158
Amounts due to subsidiaries	56,297,240
Amount due to an associate	233,912
Bank borrowings *(note 31)*	58,043,513
Total	115,724,823

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk arising in the normal course of its business and financial instruments. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as summarised below.

(i) Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB, Hong Kong dollars ("HK$"), United States Dollars ("US$") and Japanese Yen ("YEN"). Such exposures arise from sales or purchases by subsidiaries other than the subsidiaries' functional currencies. This currency exposure is managed primarily through sourcing raw materials denominated in the same currency. In addition, certain recognised assets and liabilities are denominated in currencies other than the functional currencies of the entities to which they relate. The Group currently does not have a foreign currency hedging policy.

Certain assets and liabilities of the Group are principally denominated in US$. HK$ is pegged to US$, and thus foreign exchange exposure is considered as minimal.

At 31st December, 2013, if HK$ had strengthened/weakened by 10% against the RMB, with all other variables held constant, post-tax profit for the year would have been approximately HK$11,646,000 (2012: HK$1,216,000), higher or lower. There will be no impact on other components of equity.

At 31st December, 2013, if HK$ had strengthened/weakened by 10% against the YEN, with all other variables held constant, post-tax profit for the year would have been approximately HK$2,000 (2012: HK$531,000), lower or higher. There will be no impact on other components of equity.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the HK$ and the US$ would be materially unaffected by any changes in movement in value of the US$ against other currencies. Results of the analysis as presented in above represent an aggregation of the effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2012.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(ii) Interest rate risk

Except for pledged bank deposits, short-term bank deposits and cash and cash equivalents (note 26), the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Prime or HIBOR arising from the Group's borrowings denominated in HK$ and RMB.

Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings have been disclosed in note 31.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. In order to manage the cash flow interest rate risk, the Group will repay the corresponding borrowings when it has surplus funds.

The sensitivity analyses below have been determined based on the exposure to interest rates for the variable-rate bank borrowings at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

At 31st December, 2013, if interest rates on HK$-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$1,334,000 (2012: HK$786,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31st December, 2013, if interest rates on RMB-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$474,000 (2012: HK$98,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The above changes in interest rates represent management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2012.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(iii) Price risk

The Group is exposed to equity securities price risk in its available-for-sale financial assets. As the Group's policy is only to invest on such investments by its surplus funds, the exposure may not have significant impact on the Group's financial position. The Group is not exposed to commodity price risk.

(iv) Credit risk

The Group's credit risk is principally attributable to trade and other receivables and amounts due from associates.

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made and services are provided to customers with an appropriate credit history. It also sets credit limit on each individual customer and prior approval is required for any transaction exceeding that limit. The customer with sound payment history would accumulate a higher credit limit. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 25.

The credit risk on bank balances is limited because the counterparties are reputable banks with high quality external credit ratings in Hong Kong and the PRC.

(v) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The tables below categorised the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The tabulated amounts are the contractual undiscounted cash flow payments of the Group and the Company.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk factors *(Continued)*

(v) Liquidity risk (Continued)

The Group

	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$	Over 5 years HK$	Total HK$
At 31st December, 2013					
Trade and other payables	**785,774,223**	**–**	**–**	**–**	**785,774,223**
Amounts due to associates	**480,877**	**–**	**–**	**–**	**480,877**
Deferred consideration payable	**4,668,000**	**4,668,000**	**3,112,000**	**–**	**12,448,000**
Obligations under finance leases	**13,430,997**	**4,274,625**	**1,214,640**	**–**	**18,920,262**
Bank borrowings	**443,798,158**	**–**	**–**	**–**	**443,798,158**
Total	**1,248,152,255**	**8,942,625**	**4,326,640**	**–**	**1,261,421,520**
At 31st December, 2012					
Trade and other payables	720,810,560	–	–	–	720,810,560
Amounts due to associates	1,317,178	–	–	–	1,317,178
Obligations under finance leases	16,654,257	12,415,242	3,278,012	–	32,347,511
Bank borrowings	361,850,531	–	–	–	361,850,531
Total	1,100,632,526	12,415,242	3,278,012	–	1,116,325,780

The Company

	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$	Over 5 years HK$	Total HK$
At 31st December, 2013					
Trade and other payables	**1,440,498**	**–**	**–**	**–**	**1,440,498**
Amounts due to subsidiaries	**549,138,827**	**–**	**–**	**–**	**549,138,827**
Amount due to an associate	**233,912**	**–**	**–**	**–**	**233,912**
Bank Borrowings	**131,011,095**	**–**	**–**	**–**	**131,011,095**
Total	**681,824,332**	**–**	**–**	**–**	**681,824,332**
At 31st December, 2012					
Trade and other payables	1,150,158	–	–	–	1,150,158
Amounts due to subsidiaries	56,297,240	–	–	–	56,297,240
Amount due to an associate	233,912	–	–	–	233,912
Bank borrowings	59,320,966	–	–	–	59,320,966
Total	117,002,276	–	–	–	117,002,276

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the carrying value of the Group's financial instruments measured at fair value at the balance sheet date on a recurring basis, categories into the three levels of the fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level in which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.

- Level 2 valuations: Fair values measured using Level 2 inputs i.e. observable inputs with fail to meet Level 1, and not using significant observable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair values measured using significant unobservable inputs.

2013

		Fair value measurements as at 31st December, 2013 categorised into		
	Fair value	**Level 1**	**Level 2**	**Level 3**
	HK$	**HK$**	**HK$**	**HK$**
Recurring fair value measurements				
Assets:				
Available-for-sale financial assets				
– Listed shares	**494,391**	**494,391**	**–**	**–**
2012				
Recurring fair value measurements				
Assets:				
Available-for-sale financial assets				
– Listed shares	502,758	502,758	–	–

During the year ended 31st December, 2012 and 2013, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

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

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31st December, 2012 and 2013.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the total debts ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current liabilities and non-current liabilities. Total capital includes total borrowings and total equity as shown in the consolidated balance sheet.

The total debts ratios at 31st December, 2013 and 2012 are as follows:

	2013	2012
	HK$	HK$
Current liabilities	**1,363,191,504**	1,224,782,035
Non-current liabilities	**29,137,513**	23,454,077
Total borrowings	**1,392,329,017**	1,248,236,112
Total equity	**1,698,525,963**	1,577,901,949
Total capital	**3,090,854,980**	2,826,138,061
Total debts ratio	**45%**	44%

Neither the Company nor any of its subsidiaries are subject to externally or internally imposed capital requirements.

42. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the year, the Group had significant transactions with the following related parties, together with balances with them as at the balance sheet date, details of which are as follows:

	Notes	**2013** **HK$**	*2012* *HK$*
Substantial shareholder and its subsidiaries:			
EDP charges received *(note i)*		**183,600**	*183,600*
Company controlled by certain directors' relatives:			
EDP charges received *(note i)*		**51,600**	*51,600*
Management fee paid *(note i)*		**996,000**	*996,000*
Non-controlling shareholders:			
Balances due from the Group as at the balance sheet date *(note ii)*	27	**9,600,000**	*382,550*
Balances due to the Group as at the balance sheet date *(note ii)*		**208,229**	*662,526*
Associates:			
Balances due from the Group as at the balance sheet date *(note ii)*		**480,877**	*1,317,178*
Balances due to the Group as at the balance sheet date *(note ii)*	22	**14,513,306**	*25,541,654*
Compensation of key management personnel of the Group *(note iii)*:			
Salaries and other short-term employee benefits		**21,988,655**	*26,732,934*

Further details of directors' and the chief executive's emoluments are included in note 10 to the consolidated financial statements.

Notes:

(i) The prices of the transactions were determined by the directors with reference to prices for similar transactions with unrelated third parties.

(ii) The balances are unsecured, interest free and have no fixed terms of repayment.

(iii) Key management personnel whose profiles are included in Directors and Senior Management Profile section of this report.

Save as disclosed above, there were no other significant transactions with related parties during the year or significant balances with them at the end of the year.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2013 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company*/ subsidiaries %	Proportion of nominal value of issued share capital/ registered capital attributable to the Group %	Principal activities
Cosmos Machinery Limited	Hong Kong	Hong Kong	HK$10,000,000	100.00	100.00	Investment holding
Cosmos Machinery International Limited	Hong Kong	Hong Kong	HK$32,000,000	100.00*	100.00	Trading in Industrial machinery, equipment and supplies and investment holding
Cosmos Machinery (Dongguan) Trading Co., Ltd. *(note a)*	The PRC	The PRC	HK$5,000,000	100.00	100.00	Trading of machinery
Cosmos Machinery (Wuxi) Trading Co., Ltd. *(note a)*	The PRC	The PRC	HK$5,000,000	100.00	100.00	Trading of machinery
Dekuma Rubber and Plastic Technology (Dongguan) Limited *(note a)*	The PRC	The PRC	HK$24,000,000	100.00	100.00	Manufacturing and trading of machinery
Dongguan Great Wall Optical Plastic Works Co., Ltd. *(note a)*	The PRC	The PRC	HK$20,000,000	100.00	100.00	Manufacturing of microscopes and magnifiers with acrylic lenses
Dong Hua Machinery Ltd. *(note b)*	The PRC	The PRC	RMB146,199,955	75.56	75.56	Manufacturing and trading of machinery
Gainbase Industrial Limited	Hong Kong	Hong Kong	HK$10,000	100.00	52.00	Trading of printed circuit boards
Grand Technology Products Limited	Hong Kong	Hong Kong	HK$9,500,000	100.00	100.00	Investment holding
Jackson Equities Incorporated	British Virgin Islands	Hong Kong	US$2	100.00*	100.00	Investment holding
Karmay Industrial Limited	Hong Kong	Hong Kong	HK$14,979,444	100.00	100.00	General trading and investment holding

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company*/ subsidiaries %	Proportion of nominal value of issued share capital/ registered capital attributable to the Group %	Principal activities
Karmay Plastic Products (Zhuhai) Co., Ltd. *(note a)*	The PRC	The PRC	HK$16,800,000	100.00	100.00	Manufacturing of plastic products
Melco Industrial Supplies Company Limited	Hong Kong	Hong Kong	HK$1,500,000	100.00	100.00	Trading of industrial equipment and screws
美高工業器材（上海）有限公司 *(note a)*	The PRC	The PRC	US$600,000	100.00	100.00	Trading of industrial equipment and screws
Guangzhou Melco Industrial Supplies Co., Ltd. *(note a)*	The PRC	The PRC	US$400,000	100.00	100.00	Trading of industrial equipment and screws
東莞明新塑膠制品有限公司	The PRC	The PRC	RMB34,000,000	100.00	100.00	Manufacturing and trading of moulds and plastic wares
Shenzhen Gainbase Printed Circuit Board Co., Ltd. *(note a)*	The PRC	The PRC	HK$140,000,000	100.00	52.00	Manufacturing of printed circuit boards
Welltec Machinery Limited	Hong Kong	Hong Kong	HK$10,000,000	100.00	100.00	Trading of Machinery
KFE Hong Kong Co., Limited	Hong Kong	Hong Kong	US$7,776,000	100.00	52.00	Trading of laminates and printed circuit board
Wu Xi Grand Tech Machinery Group Ltd. *(note a)*	The PRC	The PRC	US$9,586,000	100.00	100.00	Manufacturing and trading of machinery
Wu Xi Grand Plastic Machine Manufacture Co., Ltd. *(note b)*	The PRC	The PRC	US$2,850,000	100.00	100.00	Manufacturing and trading of machinery
合肥大同格蘭塑業有限公司 *(note a)*	The PRC	The PRC	HK$56,000,000	100.00	100.00	Manufacturing of plastic products

Notes:

(a) The companies are registered in the form of wholly-owned foreign investment enterprises.

(b) The companies are registered in the form of sino-foreign cooperative enterprises.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

The above table lists out the subsidiaries of the Company which, in the opinion of the directors, principally affect the results of the Group for the year or form a substantial portion of the net assets of the Group at the end of the year. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt capital in issue at the end of the year or at any time during the year.

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

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31st December, 2013 and which have not been early adopted in these consolidated financial statements.

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

In addition, the following developments may result in new or amended disclosures in the consolidated financial statements:

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, Offsetting financial assets and financial liabilities	1st January, 2014
Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets	1st January, 2014
Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting	1st January, 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27(2011), Investment entities	1st January, 2014
HKFRS 9, Financial instruments	*(Note)*
Amendments to HKFRS 9 and HKFRS 7, Mandatory effective date of HKFRS 9 and transition disclosures	*(Note)*
HK(IFRIC) – Int 21, Levies	1st January, 2014

Note: Mandatory effective date not yet determined but is available for early adoption.

FINANCIAL SUMMARY

INCOME STATEMENT

	For the year ended 31st December,				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Turnover	1,692,794	2,426,658	2,416,690	2,121,595	**2,465,110**
Profit (Loss) before taxation	35,324	310,727	49,665	(2,861)	**119,121**
Taxation	(8,564)	(13,349)	(15,152)	(10,277)	**3,904**
Profit (Loss) for the year	26,760	297,378	34,513	(13,138)	**123,025**
Non-controlling interests	19,459	21,707	7,934	11,037	**14,635**
Profit (Loss) attributable to equity shareholders of the Company	7,301	275,671	26,579	(24,175)	**108,390**

BALANCE SHEET

	At 31st December,				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Total assets	2,208,321	2,699,588	2,828,914	2,826,138	**3,090,854**
Total liabilities	(1,041,420)	(1,205,828)	(1,238,454)	(1,248,236)	**(1,392,328)**
Total equity	1,166,901	1,493,760	1,590,460	1,577,902	**1,698,526**
Non-controlling interests	166,840	183,445	189,005	198,965	**213,418**

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