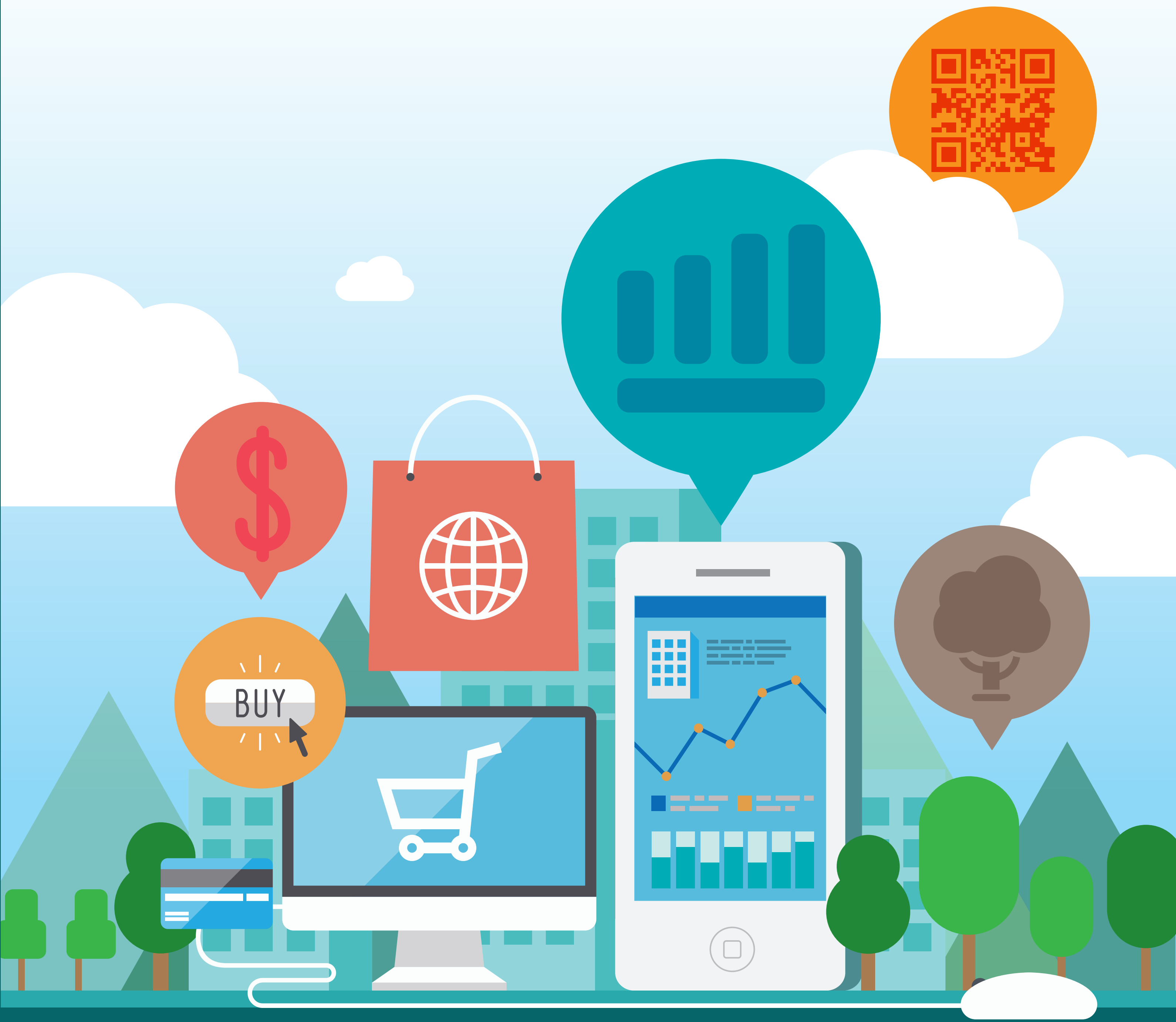
TECHNOLOGIES
UNIVERSAL

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1026



Annual Report 2013

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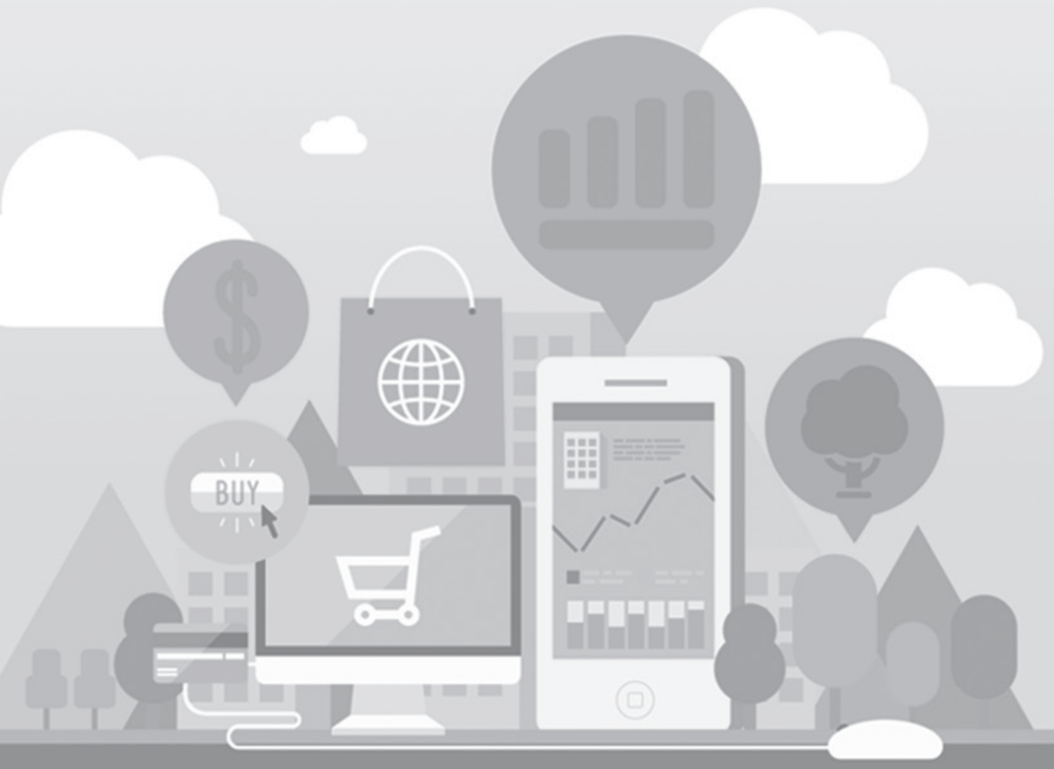

Highlights of the Year

— Turnover for the year ended 31 December 2013 amounted to HK$189.85 million (2012: HK$126.72 million), representing an increase of 50% over the last fiscal year.

— Net loss attributable to shareholders of the Company for the year ended 31 December 2013 was HK$34.09 million (2012: Net profit attributable to shareholders of the Company of HK$6.99 million), representing a decrease of 588% over the last fiscal year. Such decline is mainly due to the increase of operating costs and administrative expenses, the charging of fair value of the share-based payment arising from the newly granted share options, and the recognition of impairment loss on assets.

— Basic and diluted losses per share for the year ended 31 December 2013 amounted to HK1.78 cent and HK1.78 cent respectively (2012: Basic and diluted earnings per share HK0.41 cent and HK0.41 cent respectively).

— The Board of Directors does not recommend payment of any dividend for the year ended 31 December 2013 (2012: HK$Nil).

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Chen Jinyang *(Chairman)*
Chau Cheuk Wah *(appointed on 16 September 2013)*
Chen Runqiang
Chow Cheuk Lap
(re-designated on 16 September 2013)
Zhou Jianhui
Xu Hui *(resigned on 12 September 2013)*
Lau Yeung Sang *(resigned on 12 September 2013)*

Non-Executive Director:

Fan Man Yee Alice *(appointed on 16 September 2013)*

Independent Non-Executive Directors:

Dr. Cheung Wai Bun, Charles, *J.P.*
David Tsoi *(appointed on 3 June 2013)*
Chan Chun Kau *(appointed on 3 June 2013)*
Chao Pao Shu George
(appointed on 16 September 2013)
Meng Lihui *(retired on 3 June 2013)*
Fong Heung Sang *(retired on 3 June 2013)*

COMPANY SECRETARY

Tang Chi Wai

COMPLIANCE OFFICER

Chow Cheuk Lap

AUDIT COMMITTEE

David Tsoi *(Chairman) (appointed on 3 June 2013)*
Dr. Cheung Wai Bun, Charles, *J.P.*
Chan Chun Kau *(appointed on 3 June 2013)*
Chao Pao Shu George
(appointed on 16 September 2013)
Meng Lihui *(retired on 3 June 2013)*
Fong Heung Sang *(retired on 3 June 2013)*

AUTHORISED REPRESENTATIVES

Chen Runqiang
Tang Chi Wai

AUDITOR

PKF
Certified Public Accountants

WEBSITE

www.uth.com.hk

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 601-608, 6/F
Harbour View Two, Phase Two
Hong Kong Science Park
Pak Shek Kok, New Territories
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Room 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKER

Standard Chartered Bank

Chairman's Statement

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

Due to the slow down of economic growth worldwide, rising operating costs driven by intense industry competition and impairment loss on assets, the Group recorded a loss of approximately HK$34.09 million for the year, decreased by 588% from a net profit of HK$6.99 million for the year ended 31 December 2012.

REVIEW

Payment business was our core development for the year, while increases were recorded in both bank card business and the trading volume of POS acquiring products. However, the government and related authorities implemented stricter supervision on the industry in light of growing competition. Any change in domestic policies and the regime and legislation may cause certain unpredictability in business development. On one hand, we strengthened risk aversion in the industry. On the other hand, we actively explored the overseas markets to develop international businesses. With regard to the timber and furniture manufacturing business, by virtue of the brand effect of "Heritage Mode", the brand's franchise stores and the sales coverage has increased. However, the profit recorded a decrease due to the increasing prices of raw materials and operating costs together with the impairment and provision of related assets, resulting in an unsatisfactory results. For rental income of properties, we maintained a good relationship with our tenants to secure a stable rental income for the Group. With regard to the human resources allocation, the Group strived to build an excellent cooperation team with the idea of "Openess and Fairness" in support of business development.

There were numerous cases of disputes and litigations between Directors and shareholders together with several personnel changes in directorship and the management during the year. However, with its established business development, comprehensive management system and smooth operation, all business segments of the Group enjoyed sustainable development. The new management has revitalised and has been actively seeking various ways to consolidate related businesses through different means and channels in order to expand in different markets. To safeguard the interests of the Group, we will continue to adopt a prudent and stringent approach on capital management. We have raised fund from the public through placing to ensure sufficient working capital for the Group. Internally, we have granted share options to encourage our staff to maximise value and lay a solid foundation for the future development in the international market of the Group.

Chairman's Statement

PROSPECTS

In 2014, the year for economic recovery, the global economy will maintain a mild growth with an expected increase in the growth momentum.

We believe, along with the recovery of the surrounding economic environment, the Group will be able to keep on the business development amid the competitive and challenging environment with reliance on the quality corporate governance, the team with extensive management experience as well as the sound financial position and credit level. Without any unexpected situation, the Group expects a significant improvement in the results for the following financial year.

In terms of strategies, the Group will persist its strategies on diversified investment and sustainable development with a view on international level, while the key focus in the coming year will be the most prudent strategies. As the diversified investment is to widen while the sustainable development of each industry is to deepen, we believe that a spiral upward corporate development is the long-term development which requires prudence as the basis. In short-term, we will prefer orderly growth of performance and cope with the market risks and changes by controlling the business model in order to reduce the industry risks. Simultaneously, we are considering the model of business cooperation to unleash the synergy and realize the expansion of new businesses to face the world.

The Group needs to further realize unceasing innovations and breakthroughs on top of the solid basis. The first step for innovation is to smash the old inert pattern mode. We are not seeking for the short-lived economic benefits but the long-term sustainability, even if temporary benefits may be reduced. Also, we innovate the strategies. We will create three-dimensional industrial strategies on top of the existing diversified industrial strategies, and progressively expand the coverage to realize the synergy and linkage advantages among each industry. Last but not least, we innovate the implementation. We will keep on innovation of the aspects including organizational structure, human resources, financial management as well as product portfolio to build a more competitive execution.

It is never easy to succeed, but we have never lost our morale and self-confidence. We put more efforts and wisdom to persist the idea of success. We will never achieve without great efforts. We firmly believe "no pain, no gain", and the Group will soon surpass itself again.

WORD OF THANKS

On behalf of the Board of Directors, I would like to express our gratitude to the unremitting effort and valuable contribution made by all our staff including employees and management. We would also like to thank our shareholders, business partners and other colleagues who are concerned about the development of the Group for their unceasing support and trust. The Group will do its level best to create success and bring handsome returns to our shareholders.

Chen Jinyang
Chairman

Hong Kong, 28 March 2014

Management Discussion and Analysis

FINANCIAL OVERVIEW

Turnover and loss for the year

During the current fiscal year, the Group recorded a turnover of HK$189,847,000, representing an increase of 50% as compared to the last fiscal year. The loss attributable to shareholders of the Company was HK$34,085,000 in the current year, representing a decrease of 588% as compared to the last fiscal year. The increase in turnover is mainly due to the increase in revenue of the Group's payment business, and timber trading and furniture manufacturing business. Loss for the year of the Group is mainly attributable to the increase of operating costs and administrative expenses, the charging of fair value of the share-based payment arising from the newly granted share options under the existing share option scheme of the Company and the recognition of impairment loss on assets.

Cost of sales/services rendered

During the current fiscal year, the Group recorded a cost of sales/services rendered of HK$38,458,000 representing an increase of 138% as compared to the last fiscal year. The increase of cost of sales/services rendered is mainly due to the increase in cost of goods sold for timber trading and furniture manufacturing business.

Other revenue

During the current fiscal year, the Group recorded other revenue of HK$15,728,000, representing a decrease of 46% as compared to the last fiscal year. It is mainly due to a decrease in interest on bank deposits, other interest income and government subsidy for payment business.

Other income

During the current fiscal year, the Group recorded other income of HK$6,560,000, representing an increase of 1% as compared to the last fiscal year. Other income has remained at a similar level as compared to the last fiscal year.

General and administrative expenses

During the current fiscal year, the Group recorded general and administrative expenses of HK$178,886,000, representing an increase of 43% as compared to the last fiscal year. It is mainly due to increase in staff costs. During the current fiscal year, the Group recorded salaries and other benefits of HK$118,600,000, representing an increase of 54% as compared to the last fiscal year, the increase of salaries and other benefits is due to the charging of fair value of share-based payment and the increase in number of staff from 596 to 695 as at 31 December 2013 by 99 or 17%. As a percentage of revenue, staff costs increased to 62% in 2013, as compared to 61% in the last fiscal year. To conclude, general and administrative expenses as a percentage of revenue, decreased to 94% in the year of 2013, as compared to 99% in the year of 2012.

Management Discussion and Analysis

FINANCIAL OVERVIEW *(continued)*

Increase in fair value of investment properties

During the current fiscal year, the increase in fair value of investment properties decreased from HK$8,869,000 in 2012 to HK$6,996,000 in 2013, representing a decrease of 21% as compared to the last fiscal year. The increase in fair value are mainly at the properties located at No. 1178 Tian Yao Qiao Road, Xuhui District, Shanghai, the People's Republic of China (the "PRC") and No. 7 of 288 Lane of Qingxi Road, Changning District, Shanghai, the PRC. The increase in fair value of investment properties based on a professional valuation of an independent valuer, BMI Appraisals Limited.

Impairment loss on debtors and other receivables

During the current fiscal year, the Group recorded an impairment loss on debtors and other receivables of HK$7,635,000, representing an increase of 1,002% as compared to the last fiscal year. It is mainly related to receivables of payment business, and timber trading and furniture manufacturing business.

Finance costs

During the current fiscal year, the Group recorded a finance costs of HK$4,586,000, representing a decrease of 60% as compared to the last fiscal year. It is mainly due to a decrease in bank charge and bank loan interest incurred as the bank loan of HK$217,765,000 was fully repaid during the current fiscal year.

Income tax expense

During the current fiscal year, the Group recorded an income tax expense of HK$10,519,000, representing an increase of 248% as compared to the last fiscal year. It is mainly due to the fact that the profit of the Group's subsidiary with payment business in PRC, which was fully exempted from income tax in the PRC in the last fiscal year, is started to be taxed at 50% of the applicable tax rate during the current fiscal year.

Property, plant and equipment

The Group's property, plant and equipment decreased by HK$9,557,000 from HK$63,445,000 as at 31 December 2012 to HK$53,888,000 as at 31 December 2013. The decrease was due to the written off and disposal of property, plant and equipment.

Goodwill

The Group's goodwill decreased by HK$3,468,000 from HK$79,870,000 as at 31 December 2012 to HK$76,402,000 as at 31 December 2013.

The impairment loss on the goodwill is mainly due to the recoverable amount on the segment of timber trading and furniture manufacturing business, for which the goodwill is attributable to being lower than its carrying value during the current fiscal year.

Management Discussion and Analysis

FINANCIAL OVERVIEW *(continued)*

Intangible assets

The Group's intangible assets increased by HK$1,939,000 from HK$16,504,000 as at 31 December 2012 to HK$18,443,000 as at 31 December 2013. The increase was mainly due to the increase in development cost for payment business.

Investment properties

The Group's investment properties increased by HK$12,248,000 or 8% from HK$154,026,000 as at 31 December 2012 to HK$166,274,000 as at 31 December 2013. It was mainly attributable to the fair value gain of investment properties and exchange adjustments during the current fiscal year.

Interest in an associate

The Group's interest in an associate decreased by HK$427,000 from HK$697,000 as at 31 December 2012 to HK$270,000 as at 31 December 2013. The decrease was mainly due to the share of loss of an associate during the current fiscal year.

Other investment

The Group's other investment increased by HK$411,000 from HK$12,272,000 as at 31 December 2012 to HK$12,683,000 as at 31 December 2013. Other investment represented an investment into the property development company, incorporated in the PRC by a wholly-owned subsidiary of the Company and additional capital will be injected into the above company. The increase in other investment was due to exchange adjustments during the current fiscal year.

Debtors

The Group's debtors increased by HK$40,904,000 or 47% from HK$87,099,000 as at 31 December 2012 to HK$128,003,000 as at 31 December 2013. The increase was mainly attributable to the increase in the transaction volume of online payment business in PRC. Debtors that were past due but not impaired included an amount of HK$45,795,000 which was related to a service provider of payment solutions business. As the Group was playing the role as an agent on behalf of the merchants for collection of payments, thus no impairment allowance was necessary in respect of this balance.

Deposits, prepayments and other receivables

The Group's deposits, prepayments and other receivables decreased by HK$44,381,000 from HK$79,359,000 as at 31 December 2012 to HK$34,978,000 as at 31 December 2013. The decrease in deposits, prepayments and other receivables was because the secured loans receivable were fully repaid during the current fiscal year and the decrease in other receivables incurred in the ordinary course of business of the Group.

Management Discussion and Analysis

FINANCIAL OVERVIEW *(continued)*

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss decreased by HK$8,263,000 from HK$10,057,000 as at 31 December 2012 to HK$1,794,000 as at 31 December 2013. The decrease in financial assets at fair value through profit or loss was mainly due to the disposal of financial assets during the current fiscal year.

Pledged time deposits

The Group's pledged time deposits decreased by HK$115,357,000 from HK$115,357,000 as at 31 December 2012 to HK$Nil as at 31 December 2013. As the bank loan was fully repaid during the current fiscal year, no time deposits was pledged to a bank to secure the bank loan.

Cash and bank balances

The Group's cash and bank balances increased by HK$250,544,000 from HK$341,535,000 as at 31 December 2012 to HK$592,079,000 as at 31 December 2013. As at 31 December 2013, 81% (31 December 2012: 88%) of cash and bank balances was denominated in Renminbi.

Bank loan, secured

The Group's secured bank loan, decreased by HK$217,765,000 from HK$217,765,000 as at 31 December 2012 to HK$Nil as at 31 December 2013. The secured bank loan was fully repaid during the current fiscal year.

Payable to merchants

The Group's payable to merchants increased by HK$116,310,000 or 47% from HK$247,879,000 as at 31 December 2012 to HK$364,189,000 as at 31 December 2013. The percentage of increase of payable to merchants was in line with debtors. It was mainly attributable to the increase in transaction volume of online payment business. The Group was playing the role as an agent on behalf of the merchants for collection of transaction moneys from debtors and then paid such transaction moneys to the merchant after deducting services fee. The Group mainly booked the services fee which is determined based on an agreed percentage of the transaction moneys involved as turnover.

Deposits received, sundry creditors and accruals

The Group's deposits received, sundry creditors and accruals increased by HK$32,848,000 from HK$67,168,000 as at 31 December 2012 to HK$100,016,000 as at 31 December 2013. The increase was mainly attributable to the increase in deposits received and receipts in advance for timber trading and furniture manufacturing business, and increase in accruals and sundry creditors incurred in the ordinary course of business of the Group.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2013, the Group had net current assets of HK$316,776,000. Current assets comprised inventories of HK$36,713,000, debtors of HK$128,003,000, deposits, prepayments and other receivables of HK$30,412,000, financial assets at fair value through profit or loss of HK$1,794,000, prepaid land lease premium of HK$1,238,000, tax recoverable of HK$1,153,000 and cash and bank balances of HK$592,079,000.

Current liabilities comprised unsecured bank overdraft of HK$4,241,000, payable to merchants of HK$364,189,000, deposits received, sundry creditors and accruals of HK$100,016,000 and tax payable of HK$6,170,000.

The gearing ratio (defined as a percentage of total liabilities (excludes deferred tax liability) over total assets) of the Group at 31 December 2013 was 41% (2012: 51%).

The Board considers that the Group's existing financial resources are sufficient to fulfill its commitments, current working capital requirements and further development. In the long term, the Board believes that the Group will continue to fund its foreseeable expenditures through cash flows from operations. However, for a more massive scale of expansion and development, debt or equity financing may be required.

BUSINESS REVIEW AND PROSPECTS

Business Review

In 2013, the Group has gone through thick and thin as well as challenges and opportunities. Faced with the global economic slowdown, continuously volatile global financial market, challenges from the complex surrounding economic environment and intensified competition in the industry, the Group adhered to its pragmatic management style and contributed major efforts and resources to the Group's core business through both internal and external policies with the principles of centralized management, professional operation, market-based mechanisms, flattened organization and standardized process. The Group promoted the reform and innovation for the product lines in order to strengthen and consolidate the competitiveness in enterprise market, thus to lay a solid foundation for the Group's long term development.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS *(continued)*

Business Review *(continued)*

For our core business, we continued to focus on the corporate transform and product innovation, while increase were recorded in both bank card business and the trading volume of POS acquiring products. During the year, the Group strived to build an integrated capital operation and management platform based on the efficient operating system, and develop the business model with the integration of capital settlement and management and the integration of online and offline businesses in order to accelerate the position in new business fields, of which the payment solutions in the field of education and the product of capital management in physical retail industry were well recognized by the market. Even though the market was well expected, such business development was uncertain due to a number of factors. The recent suspension of QR code payment and various initiatives related actions by the Central Bank partly reflects the instability of domestic policies and uncertainties; while the government and related divisions enhanced the supervision on the industry in light of the increase of corporate competitors within the industry, the complicated business kinds and the immature of risk management, any change of the regime and the law of the business might cause influence on the business and business model. Therefore, the Group will pay close attention to the risk aversion trade, and actively make efforts to develop and expand overseas business. While the continual business adjustments accompanied with the strategy development, we are confident with the international market and actively studying and seeking for more and better business alliance strategies in order to adjust in place at a fastest pace to boost the turnover and profit capability effectively. For operational security, the Group has upgraded the system so as to consistent with the international standard. It is expected that the upgraded system will bring its features of higher stability, flexibility and efficiency in the coming year and fully support the payment business to enter a new stage. For administration and management, the Group continued to expand and optimize the department functions and structures and pool of talent according to the direction and needs for the international businesses in order to drive the Group's payment business to a more professional and sound direction.

For the timber and furniture manufacturing business, the Company insisted the core of brand building and set up featured products with Chinese and Western techniques. Its own brand "Heritage Mode" received the Top 10 Most Popular Rosewood Furniture Brand Award from Chinese Rosewood Furniture Industry during the year. By virtue of the brand effect, the brand's franchise stores and the sales coverage has increased. However, subject to the increasing prices of raw materials in the market and other corporate expenses after the positioning of high-end rosewood market, the profit recorded a significant decrease. Management had made appropriate impairment and provision of related asset for timber business, including inventories, debtors, other receivables and goodwill. It is hoped that the timber business could developed in the future through cost control and brand value.

During the year, the Group's headquarters continued to contribute stable rental income for the Group.

Furthermore, leveraging on the Group's stringent compliance with the corporate governance and the management team with extensive experience, the business is currently well-established while the management system is comprehensive and smooth. Also, in addition to the solid financial position, placement of shares was conducted during the year to raise more supporting capital for the development of all businesses of the Group. These laid the solid foundation for the Group's long-term development.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS *(continued)*

Prospects

The year 2014 will be an important year linking the Group's past and future strategic development. The overall strategy will be "concentrating on growth, reducing losses, and modifying the structure". In terms of concentrating on growth, the target will be focused on international market with the focal point on the operation of core products and core fields. On top of focusing the operation of existing products, the development of new products will be accelerated by product upgrade and product portfolio. With regard to reducing losses, the brand and influential power of the products will be enhanced with target quality high-end clientele. Meanwhile, the channel structure will be continuously optimised and thus the operating cost will be cut down to improve the profit. As to the organisational structure, the organisation, system and process will be optimised and modified constantly. A more professional service team will be established to provide improved world-class services, facilitate the deep ploughing of direct and distribution channels and ultimately increase the gross profit. Concerning corporate management, costs will be effectively improved while the marketing expenses will be stringently controlled, thus to enhance the investment efficiency. We believe that the Group will definitely encounter significant development opportunities as we adhere to the strategic objectives in harmony with the progressive standardisation of the internal management mechanism, investment and update of the software and hardware systems, step-by-step expansion of cooperation channels and innovations and breakthroughs of various products.

The operating strategies will be specifically implemented in the following aspects:

The Group believes that the pool of talent determines the competitiveness and development capability of an enterprise. The Group will implement the employment mechanism of "Open, fair, competition, selection of merits" and encourage all staff to actively utilise their potentials and wisdom on a platform provided by the Group, thus to maximise the value for the Group.

For the Group's international payment business, it is expected that the e-commerce transform of the traditional physical enterprises will generate enormous demand for innovation. The Group will continue to strive to provide in-depth industry solutions for this emerging market to strengthen the penetration of the traditional physical retail chain enterprises by means of industry solutions and drive the e-commerce transform of the traditional physical enterprises. This provides a broader space for the development of the Group's payment business.

The Group will continue the strategies for innovation and development last year to protect the investment and solid operations of system development and construction as well as product innovation by optimisation and integration of resources in order to ensure the steady and orderly development of the front-end business. The Company dedicates to the enhancement of the quality customers and the breakthrough of applications of industry financial value-add services. At the same time, according to the various data from the market research conducted by the Group, the offline payment business has a tremendous development space in the coming three to five years. It shows that, with the consideration of security, tax control and deduction rate, offline payment as the role of e-payment terminal solution supplier has its irreplaceable advantage. As a result of this particularity, the Group will also pay attention to the market news of this field and make further strategic deployment and respective product planning after integration of existing product resources pursuant to the actual market demand.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS *(continued)*

Prospects *(continued)*

For the timber and furniture manufacturing business, confronting the intensified pressure on operating cost as well as raw material cost, the Group will closely monitor the trends in the market prices of raw materials and enhance inventory control and purchasing programmes in the following year. Also, all logistics functions in the plants will be further integrated to reduce indirect costs. In addition, the production efficiency and quality will be enhanced to reduce the delivery duration while to maintain the high quality. According to the prevailing market conditions, we may possibly adjust certain business fields with an aim to control the risks within a reasonable range and strive to create new profit growth on the basis of consolidating the existing market.

For the governance structure and the construction of the corporate system, the Group will stringently comply the corporate governance code and improve the internal corporate management to set up a sound and efficient execution for corporate decision-making. Also, a harmonic mechanism for the shareholders, corporate and staff to share the corporate development results will be set up.

We have reason to believe that, the objectives for the future global market and blue ocean strategy will definitely be realized by the exploration and deep plowing of the key industries at early stage, the achievement of market opportunities, exploration of new profit growth; the retainment of the traditional fields in advantage; and the enhancement of internal strengths such as improvement of the standard of internal operational management.

EMPLOYEES

At 31 December 2013, the total number of employees of the Group was 695 (2012: 596). The dedication and contribution of the Group's staff during the year are greatly appreciated and recognised.

Employees (including directors) are remunerated according to their performance and working experience. On top of basic salaries, discretionary bonus and share options may be granted to eligible employee by reference to the Group's performance as well as the individual's performance.

In addition, the Group also provides social security benefits to its staff such as Mandatory Provident Fund Scheme in Hong Kong and the central pension scheme in the PRC.

TREASURY POLICIES

The Group adopted a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 17 October 2013, the Group set up a new subsidiary, Shanghai Hong Mu Yin Xiang Art Furniture Limited, a company incorporated in the PRC. The registered capital is RMB1,000,000. The subsidiary has not yet commenced business.

CHARGES ON GROUP'S ASSETS

At 31 December 2013, no assets of the Group have been pledged since the bank loan was fully repaid during the current fiscal year.

At 31 December 2012, properties held under medium-term lease with a net book value of HK$17,409,000, investment properties with a net book value of HK$130,046,000, prepaid land lease premium with a net book value of HK$40,079,000 and time deposits of HK$115,357,000 were pledged to a bank to secure a bank loan granted to the Company.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 18 June 2013, the Company entered into the placing agreement (the "Placing Agreement") with Enlighten Securities Limited (the "Placing Agent") whereby the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, a maximum of 200,000,000 placing shares (the "Placing Shares") to not less than 6 independent placees at a price of HK$0.58 per placing share. The completion of the placing took place on 23 July 2013, whereby a total of 192,000,000 Placing Shares were successfully placed by the Placing Agent to not less than six placees at the placing price pursuant to the terms and conditions of the Placing Agreement. The gross proceeds from the Placing are approximately HK$111.36 million and the net proceeds from the Placing, after deducting the placing commission and other professional fees incurred by the Company in the Placing, are approximately HK$108.58 million. The Group intends to use the Placing proceeds for expansion of business and potential investment opportunities and general working capital of the Group.

CURRENCY RISK

Currently, the market anticipates moderate appreciation pressure on Renminbi. The Group has not implemented any formal policy in dealing with this foreign currency risk. However, in view of the fact that the Group's core business is mainly transacted in Renminbi and significant portion of assets are denominated in Renminbi, the exposure of the Group's risk from exchange rate fluctuation was minimal. For the year ended 31 December 2013, the Group did not enter into any arrangement to hedge its foreign currency exposure. However, the management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

Management Discussion and Analysis

CAPITAL COMMITMENT

At 31 December 2013, the Group had contracted for but not provided for capital commitment, in respect of acquisition of property, plant and equipment of HK$Nil (2012: HK$784,000) and in respect of investment of HK$12,683,000 (2012: HK$12,272,000). On 28 March 2012, a wholly-owned subsidiary of the Company entered into an agreement to acquire 8.63% equity interests of a company incorporated in the PRC at a total consideration of RMB20,000,000. At 31 December 2013, RMB10,000,000 (equivalent to HK$12,683,000) was paid and the remaining RMB10,000,000 (equivalent to HK$12,683,000) was contracted for but not yet paid.

CONTINGENT LIABILITIES

The Group is subject to legal proceedings and claims arising from the conduct of its business operations, including litigation related to directors and shareholders.

While it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities including lawsuits, the Directors of the Company believe that the aggregate amount of such liabilities, if any, in excess of amounts accrued, will not have a material adverse effect on the consolidated financial position or results of operations of the Group.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Chen Jinyang

Mr. Chen, aged 43, was appointed as an Executive Director of the Group and the Chairman of the Board on 18 December 2012 and 16 September 2013 respectively. He has substantial experience and knowledge of banking industry and investment business in the PRC.

Mr. Chau Cheuk Wah

Mr. Chau, aged 59, was appointed as the Chief Executive Officer and an Executive Director of the Group on 3 June 2013 and 16 September 2013 respectively. Mr. Chau has 35 years of experience in banking and finance in Hong Kong, China, Singapore and Malaysia with various global financial institutes. Mr. Chau graduated from The Chinese University of Hong Kong with a bachelor degree in Business Administration. Mr. Chau is also the compliance officer and chief representative of the Beijing representative office of City Credit Investment Bank, Malaysia.

Mr. Chau is a director of and has 25% beneficially interest in Eastcorp International Limited ("Eastcorp"), the substantial shareholder of the Company. Mr. Chau is a brother of Mr. Chow Cheuk Lap, an Executive Director and the Compliance Officer of the Group.

Mr. Chen Runqiang

Mr. Chen, aged 47, was appointed as an Executive Director and the authorised representative of the Group on 8 June 2012 and 10 September 2012 respectively. Mr. Chen also served as the Chairman of the Board from 10 September 2012 to 16 September 2013. Mr. Chen is a businessman with plenty of experiences in the PRC and the he engages in property development and leasing in the PRC.

Mr. Chow Cheuk Lap

Mr. Chow, aged 62, was formerly a Non-Executive Director of the Group until 16 September 2013 when he was re-designated as an Executive Director of the Group. He has also been appointed as the Compliance Officer of the Company since 10 September 2012. Mr. Chow graduated from University of London with a Bachelor Science Degree in Economics and qualified as a Solicitor in Hong Kong. Mr. Chow has more than 20 years experience in civil litigation and commercial matters.

Mr. Chow Cheuk Lap is a partner of Messrs. C.L. Chow and Macksion Chan, Solicitors which is the employer of Ms. Fan Man Yee Alice, a Non-Executive Director of the Group, and the legal adviser of Ever City Industrial Development Limited ("Ever City") and Eastcorp, the substantial shareholders of the Company. Mr. Chow is a brother of Mr. Chau Cheuk Wah, who is an Executive Director and the Chief Executive Officer of the Group, and a director of and has 25% beneficially interest in Eastcorp.

Directors and Senior Management

DIRECTORS *(continued)*

Executive Directors *(continued)*

Mr. Zhou Jianhui

Mr. Zhou, aged 49, was appointed as an Executive Director of the Group on 18 December 2012. Mr. Zhou was previously a senior advisor of the Company and joined the Group as Vice President. Mr. Zhou has substantial experience and knowledge of financial management and investment business in the PRC.

Mr. Xu Hui

Mr. Xu, aged 46, was appointed as the former Chief Executive Officer and a former Executive Director of the Group on 12 March 2012. Mr. Xu resigned as the Chief Executive Officer and an Executive Director of the Group on 3 June 2013 and 12 September 2013 respectively. Prior to joining the Group, he held a senior position in a conglomerate in Jiangsu Province, the PRC, with responsibility for strategic planning and management of different businesses including human resources, procurement, land reserve management, tourism marketing and logistics management. Mr. Xu was also previously the deputy general manager of human resources of an investment company, the deputy general manager of a logistics company, the Chief Operations Officer of a China's Top-100 real estate company, and the Chairman of a tourism company. With his background in areas ranging from property investment, financial guarantee, real estate, logistics and tourism, Mr. Xu is well adapted in diversified corporate environment. Mr. Xu was awarded a Bachelor in Arts degree by 蘇州鐵道師範學院 (Suzhou Railway Teachers College) and a Master of Business Administration by China Europe International Business School.

Mr. Lau Yeung Sang

Mr. Lau, aged 67, was one of the founders and a former Executive Director of the Group. Mr. Lau resigned as an Executive Director of the Group on 12 September 2013. Mr. Lau was responsible for the overall strategic planning and coordination of all the Directors and key management of the Group. Mr. Lau has over 30 years experiences in the business operation in the PRC.

Directors and Senior Management

DIRECTORS *(continued)*

Non-Executive Director

Ms. Fan Man Yee Alice

Ms. Fan, aged 44, was appointed as the Non-Executive Director of the Group on 16 September 2013. She is a qualified solicitor in Hong Kong. Ms. Fan had extensive experience in the commercial litigation area. Ms. Fan has handled a number of complex commercial litigation cases involving shareholders/investors and the disputes in relation to clients' businesses in Hong Kong and across the border in China or elsewhere in the Far East Region. Ms Fan is particularly familiar with the interactions between Hong Kong and China. Ms. Fan has joined Messrs. C.L. Chow & Macksion Chan, Solicitors (of which one of the partners is Mr. Chow Cheuk Lap, an Executive Director and the Compliance Officer of the Group) since February 2009 and is specialized in the area of commercial and civil litigation.

Independent Non-Executive Directors

Dr. Cheung Wai Bun, Charles, *J.P.*

Dr. Cheung, aged 77, is an Independent Non-Executive Director, the Chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee of the Group. Dr. Cheung was awarded with Honorary Doctorate Degree in Business Administration by John Dewey University in the United States in 1984. He obtained a master degree in Business Administration and a Bachelor of Science degree in Accounts and Finance from New York University in the United States in 1962 and 1960, respectively. Dr. Cheung is a Director and Vice Chairman of Executive Committee of Metropolitan Bank (China) Ltd., and the Independent Non-Executive Director and the Director of Audit Committee of China Resources Bank of Zhuhai Co., Ltd. He is also a senior adviser to the Metropolitan Bank & Trust Company, Philippines. Dr. Cheung is an Independent Non-Executive Director and the Chairman of respective Audit Committees of Shanghai Electric Group Company Limited (stock code: 2727), Pioneer Global Group Limited (stock code: 224) and China Financial International Investments Limited (stock code: 721), all of which are companies listed on the Main Board of the Stock Exchange. He is the Chairman of the Board, an Independent Non-Executive Director, the Chairman of Nomination Committee and Remuneration Committee of Grand T.G Gold Holding Limited (stock code: 8299), a company listed on the GEM of the Stock Exchange. In addition, Dr. Cheung is an Executive Chairman of Lightscape Technologies Inc.. He is also a Council Member of the Hong Kong Institute of Directors. He was a former visiting professor of School of Business of Nanjing University, China. He is also the special advisor to the president of the University of Victoria, B.C., Canada. He is a member of Hospital Governing Committee of both Kowloon Hospital and Hong Kong Eye Hospital. He was a former director and advisor of the Tung Wah Group of Hospitals. Dr. Cheung was formerly a Chief Executive & Executive Deputy Chairman of Mission Hills Group.

Dr. Cheung was awarded the Directors of the Year Awards 2002 of "Listed Company Non-Executive Director". He was elected Outstanding Director Award by the Chartered Association of Directors, Outstanding Management Award by Chartered Management Association, and Outstanding CEO Award by the Asia Pacific CEO Association in December 2010.

Directors and Senior Management

DIRECTORS *(continued)*

Independent Non-Executive Directors *(continued)*

Mr. David Tsoi

Mr. Tsoi, aged 66, was appointed as an Independent Non-Executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Group on 3 June 2013. Mr. Tsoi is the managing director of Alliott, Tsoi CPA Limited. Mr. Tsoi obtained a master's degree in business administration from the University of East Asia, Macau (currently known as University of Macau) in 1986. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He is also a member of the Institute of Chartered Accountants of England and Wales, CPA Australia, the Society of Chinese Accountants and Auditors and the Certified General Accountants Association of Canada, respectively. Mr. Tsoi is an Independent Non-Executive Director of each of MelcoLot Limited (stock code: 8198), CSR Corporation Limited (stock code: 1766) and Enviro Energy International Holdings Limited (stock code: 1102), respectively, the shares of which are all listed on the Stock Exchange.

Mr. Chan Chun Kau

Mr. Chan, aged 39, was appointed as an Independent Non-Executive Director, the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Group on 3 June 2013. Mr. Chan graduated from the Trinity College of the Cambridge University of England with a bachelor degree in computer science and laws. Mr. Chan is a solicitor in Hong Kong and is a partner of Messrs. Cheung and Choy, Solicitors and J.S. Gale & Co. Mr. Chan is experienced in corporate finance and capital markets.

Mr. Chao Pao Shu George

Mr. Chao, aged 67, was appointed as an Independent Non-Executive Director, a member of Audit Committee, Nomination Committee and Remuneration Committee of the Group on 16 September 2013. Mr. Chao started his career as an air traffic controller in Civil Aviation Department and was graduated in the College of Air Traffic Control in UK. Having progressed in the job, he was promoted to the post of Air Traffic General Manager and was also awarded the honorary position of J.P. As a part time job, Mr. Chao joined the Royal Hong Kong Auxiliary Air Force (which was known as Hong Kong Government Flying Services after 1997). He became a pilot and air traffic controller in the force in the rank of the Squadron Leader and took charge of the whole auxiliary unit after 1997 until his retirement. His association with Civil Aviation Administration of China (CAAC) started as early as 1970's through bi-lateral meetings and the good working relationship was maintained throughout the years. Mr. Chao was highly recommended by CAAC to take the position of Chairmanship in the Asia Pacific United Nation Aviation International Civil Aviation Organisation Meeting (ICAO). Prior to his retirement, CAAC offered Mr. Chao the job as a consultant of CAAC Peking and he took up the job until now. Presently, Mr. Chao is also working as an Air Traffic Control Specialist in Middle South Region of CAAC.

Directors and Senior Management

DIRECTORS *(continued)*

Independent Non-Executive Directors *(continued)*

Mr. Meng Lihui

Mr. Meng, aged 51, was formerly an Independent Non-Executive Director and the Chairman of Audit Committee, Nomination Committee and Remuneration Committee of the Group respectively. Mr. Meng was retired on 3 June 2013 and ceased to be the Chairman of Audit Committee, Nomination Committee and Remuneration Committee of the Group. He is also the general manager of Shanghai Fu Yi Ecological and Environmental Technology Limited, which is mainly providing regional strategic plans of sustainable development, urban-rural developmental plans, ecotourism plans with project investment developmental plans, environmental protection theme and relevant investment consultation service to both private companies and local government authorities in various cities in the PRC. Mr. Meng was honored with bachelor degree of Economics by Fudan University.

Mr. Fong Heung Sang

Mr. Fong, aged 54, was formerly an Independent Non-Executive Director and a member of Audit Committee, Nomination Committee and Remuneration Committee of the Group respectively. Mr. Fong was retired on 3 June 2013 and ceased to be the member of Audit Committee, Nomination Committee and Remuneration Committee of the Group. Mr. Fong graduated from the University of Nevada Reno with a master degree in Business Administration in 1989 and from the University of Lllinois at Urbana Champaign with a master degree in Accountancy in 1993. Mr. Fong is a Certified Public Accountant in the United States of America. Mr. Fong has extensive experience in corporate finance, accounting and auditing and has worked for international accounting firms and a number of public listed companies for more than 20 years.

SENIOR MANAGEMENT

Mr. Tang Chi Wai

Mr. Tang, aged 40, is the qualified accountant, the company secretary and one of the authorised representatives of the Group. Mr. Tang joined the Group as Financial Controller in June 2008. Mr. Tang is a fellow member of the Hong Kong Institute of Certificate Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Chinese Institute of Certified Public Accountants. Mr. Tang has over 17 years experience in auditing, accounting and financial management.

Corporate Governance Report

The Company and the Board are devoted to achieve and maintain the highest standards of corporate governance and have adopted the principles of the corporate governance practices of the Rules Governing the listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the construction of our corporate governance practices. The Board believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding interests of our shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles that emphasize a quality Board, effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and provisions as set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Main Board CG Code"). The Company has complied with all the applicable Code Provisions of the Main Board CG Code. One Independent Non-Executive Director did not attend the annual general meeting of the Company held on 3 June 2013 due to other engagements. This constitutes a deviation from the code provision of A.6.7 of the CG Code which requires, inter alia, Independent Non-Executive Directors and other Non-Executive Directors to attend general meetings.

BOARD OF DIRECTORS

Board Composition

At the date of this annual report, the Board comprises ten Directors, including five Executive Directors, namely, Mr. Chen Jinyang (Chairman), Mr. Chau Cheuk Wah (Chief Executive Officer), Mr. Chen Runqiang, Mr. Chow Cheuk Lap and Mr. Zhou Jianhui; one Non-Executive Director, namely Ms. Fan Man Yee Alice; four Independent Non-Executive Directors, namely Dr. Cheung Wai Bun, Charles, *J.P.*, Mr. David Tsoi, Mr. Chan Chun Kau and Mr. Chao Pao Shu George. Throughout the year and up to the date of this report, the Company has complied with the requirements under Rule 3.10(A) and (2) of the Listing Rules. The former Rule requires that the number of Independent Non-Executive Directors must represent at least one-third of the Board and the latter Rule requires that at least one of the Independent Non-Executive Director must have appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmation of independence from each of the Independent Non-Executive Directors pursuant to Rule 3.13 of the Listing Rules and all Independent Non-Executive Directors are considered to be independent. Brief biographical particulars of the Directors are set out on pages 16 to 20.

Board's Responsibilities and Delegation

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies, approval of business plans, evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Group and its businesses by directing and supervising the Group's affairs. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

Board's Responsibilities and Delegation *(continued)*

The participation of Non-Executive Directors in the Board brings independent judgement on issues relating to the Company's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

The Board delegates day-to-day operations of the Company to Executive Directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through Executive Directors who have attended at Board meetings.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the required standard of dealings as set out in Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, the Directors have complied with the above-mentioned required standards of dealings regarding Directors' securities transactions throughout year ended 31 December 2013.

Board Meetings and Attendance

The Board held a regular board meeting for each quarter. Details of the attendance of the Board at the regular quarterly board meeting are as follows:-

Directors	Attendance
Mr. Chen Jinyang	4/4
Mr. Chau Cheuk Wah *(appointed on 16 September 2013)*	2/2
Mr. Chen Runqiang	4/4
Mr. Chow Cheuk Lap	4/4
Mr. Zhou Jianhui	4/4
Mr. Xu Hui *(resigned on 12 September 2013)*	2/2
Mr. Lau Yeung Sang *(resigned on 12 September 2013)*	2/2
Ms. Fan Man Yee Alice *(appointed on 16 September 2013)*	2/2
Dr. Cheung Wai Bun, Charles, *J.P.*	4/4
Mr. David Tsoi *(appointed on 3 June 2013)*	3/3
Mr. Chan Chun Kau *(appointed on 3 June 2013)*	3/3
Mr. Chao Pao Shu George *(appointed on 16 September 2013)*	2/2
Mr. Meng Lihui *(retired on 3 June 2013)*	1/1
Mr. Fong Heung Sang *(retired on 3 June 2013)*	1/1

BOARD OF DIRECTORS *(continued)*

Corporate governance functions

The Board is responsible for performing the corporate governance duties as set out below:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report under Appendix 14 to the Listing Rules.

Directors' Continuing Professional Development Programme

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in-house trainings for Directors and Directors have provided the Company with their respective training records pursuant to the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. The Chairman of the Company is Mr. Chen Jinyang (on 16 September 2013, Mr. Chen Runqiang resigned as the Chairman and Mr. Chen Jinyang was appointed as the Chairman of the Company), while the Chief Executive officer is Mr. Chau Cheuk Wah (on 3 June 2013, Mr. Xu Hui resigned as the Chief Executive Officer and Mr. Chau Cheuk Wah was appointed as Chief Executive Officer of the Company).

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER *(continued)*

The Chairman plays a leadership role and is responsible for the effective functioning of the Board in accordance with the good corporate governance practice adopted by the Company. He is also responsible for instilling corporate culture and developing strategic plans for the Company. Under provisions A.2.1 and A.2.2 of the Code, the Chairman would ensure that all Directors are properly briefed on issues arising at Board meetings and would be responsible for ensuring that Directors receive adequate information, which must be complete and reliable, in a timely manner. On the other hand, the Chief Executive Officer primarily focuses on developing and implementing objectives and policies approved and delegated by the Board. The Chief Executive Officer is also responsible for the Company's day-to-day management and operations and the formulation of the organisation structure, control systems and internal procedures and processes of the Company for the Board's approval.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Directors were appointed for a specific initial term which shall continue thereafter subject to retirement by rotation in accordance with the articles of association of the Company and re-election by shareholders and termination in accordance with the terms of the respective service agreements.

The Articles of Association of the Company provides that any Director appointed by the Board, (i) to fill a casual vacancy in the Board, shall hold office only until the next following general meeting of the Company and shall be subject to re-election at such meeting and (ii) as an addition to the Board shall hold office until the next annual general meeting of the Company and shall then be eligible for re-election.

The Articles of Association of the Company also provides that the Company may remove a Director by way of an ordinary resolution at general meeting.

COMPANY SECRETARY

The company secretary of the Company, Mr. Tang Chi Wai, is the qualified accountant, financial controller and one of the authorised representatives of the Company. Mr. Tang is a fellow member of the Hong Kong Institute of Certificate Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Chinese Institute of Certified Public Accountants. Mr. Tang supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during 2013.

REMUNERATION COMMITTEE

The Board established the remuneration committee in July 2006. The major responsibilities of the remuneration committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management of the Company. The remuneration committee shall determine, with delegated responsibility, the individual remuneration package of each Executive Director and senior management including benefits in kind and pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment). When determining remuneration packages of the Executive Directors and senior management of the Company, the remuneration committee takes into consideration factors such as time commitment, responsibilities, employment condition and remuneration packages of executive directors of comparable companies.

Corporate Governance Report

REMUNERATION COMMITTEE *(continued)*

The remuneration committee currently comprises four Independent Non-Executive Directors, Dr. Cheung Wai Bun, Charles, *J.P.*, Mr. David Tsoi, Mr. Chan Chun Kau and Mr. Chao Pao Shu George and is chaired by Dr. Cheung Wai Bun, Charles, *J.P.*.

The terms of reference of the remuneration committee have been uploaded to the Company's website and the Stock Exchange's website.

The remuneration committee held three meetings for the year ended 31 December 2013. The composition of the remuneration committee during the year as well as the meeting attendance of the committee members are as follows:–

Remuneration Committee	Attendance
Dr. Cheung Wai Bun, Charles, *J.P. (Chairman) (appointed as Chairman on 3 June 2013)*	3/3
Mr. David Tsoi *(appointed on 3 June 2013)*	1/1
Mr. Chan Chun Kau *(appointed on 3 June 2013)*	1/1
Mr. Chao Pao Shu George *(appointed on 16 September 2013)*	N/A
Mr. Meng Lihui *(retired on 3 June 2013)*	2/2
Mr. Fong Heung Sang *(retired on 3 June 2013)*	0/2

NOMINATION COMMITTEE

The Board established the nomination committee on 29 March 2012. The nomination committee is authorised by the Board to determine the policy for the nomination of Directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. The nomination committee is also responsible for reviewing the structure, size and composition of the board.

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

The nomination committee currently comprises four Independent Non-Executive Directors, Mr. Chan Chun Kau, Dr. Cheung Wai Bun, Charles, *J.P.*, Mr. David Tsoi and Mr. Chao Pao Shu George and is chaired by Mr. Chan Chun Kau.

The terms of reference (including the nomination procedures and criteria for selection and recommendation of candidates for directorship) of the nomination committee have been uploaded to the Company's website and the Stock Exchange's website.

Corporate Governance Report

NOMINATION COMMITTEE *(continued)*

The nomination committee held three meetings for the year ended 31 December 2013. The composition of the nomination committee during the year as well as the meeting attendance of the committee members are as follows:–

Nomination Committee	Attendance
Mr. Chan Chun Kau *(Chairman) (appointed on 3 June 2013)*	1/1
Dr. Cheung Wai Bun, Charles, *J.P.*	3/3
Mr. David Tsoi *(appointed on 3 June 2013)*	1/1
Mr. Chao Pao Shu George *(appointed on 16 September 2013)*	N/A
Mr. Meng Lihui *(retired on 3 June 2013)*	2/2
Mr. Fong Heung Sang *(retired on 3 June 2013)*	0/2

INTERNAL CONTROL

The Board has overall responsibility for establishing and maintaining an adequate and effective system of internal control of the Company to safeguard the shareholders' investments and the Company's assets.

The Company's internal control system includes a management structure with defined lines of responsibility and limits of authority. It aims to provide reasonable, but not absolute, assurance that assets are safeguarded against misappropriations, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The system is designed to identify, evaluate and manage effectively risks rather than to eliminate all risks of failure.

The Board, through the audit committee, has reviewed the effectiveness of the Company's internal control system, inter alia, the financial, operational and compliance controls and risk management functions of the Company; and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. No material deficiencies have been identified. The management will deal with the areas for improvement which come to the attention of the Board and the audit committee. The Board is committed to improving the Company's internal control system on an ongoing basis.

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company. The financial statements set out on pages 43 to 111. Financial results of the Company are announced in a timely manner in accordance with statutory and/or regulatory requirements.

ACCOUNTABILITY AND AUDIT *(continued)*

The Board of Directors recognises the importance of integrity of financial information and acknowledges its responsibility for preparing interim and annual financial statements that give a true and fair view of the Company's affairs and its results and cash flows in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance. In presenting the financial information, as well as price-sensitive announcements and other financial disclosures as required by regulations, the board endeavours to present in a timely manner to shareholders and other stakeholders a balanced and understandable assessment of the Company's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purpose are prudent and reasonable. Prior to the adoption of the financial statements and the related accounting policies, the relevant financial information is discussed between the external auditor and the management, and then submitted to the audit committee for review.

The Board considers that the adoption of new or amended financial reporting standards that became effective during the year has not had a significant impact on the Company's financial statements, details of which are disclosed in Note 2(a) on page 51.

The responsibilities of the external auditor with respect to the financial statements for the year ended 31 December 2013 are set out in the Independent Auditor's Report on page 41 to 42.

AUDITOR'S REMUNERATION

PKF has been appointed as the Company's external auditor since 2001.

During the year under review, the fee payable to PKF in respect of its audit services and non-audit services including tax matters, review and other reporting services provided to the Company were HK$675,000 and HK$334,600, respectively.

AUDIT COMMITTEE

The Board established the audit committee in October 2001. The audit committee is authorised by the Board to consider the appointment, re-appointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and to discuss with the external auditor the nature and scope of the audit. It is also responsible for reviewing: (i) the interim and annual financial statements before submission to the Board and (ii) the Company's financial control, internal control and risk management systems.

The audit committee monitors the integrity of the Company's financial statements, annual report and accounts and half-year report and reviews significant financial report judgments contained therein. It reviews, makes recommendations and reports to the Board on findings relating to the financial statements, reports and accounts, systems of internal controls and risk management and compliance issues.

Corporate Governance Report

AUDIT COMMITTEE *(continued)*

The audit committee currently comprises four Independent Non-Executive Directors, Mr. David Tsoi, Dr. Cheung Wai Bun, Charles, *J.P.*, Mr. Chan Chun Kau and Mr. Chao Pao Shu George and is chaired by Mr. David Tsoi.

The terms of reference of the audit committee have been uploaded to the Company's website and the Stock Exchange's website.

The audit committee held two meetings for the year ended 31 December 2013. The composition of the audit committee during the year as well as the meeting attendance of the committee members are as follows:–

Audit Committee	Attendance
Mr. David Tsoi *(Chairman) (appointed on 3 June 2013)*	1/1
Dr. Cheung Wai Bun, Charles, *J.P.*	2/2
Mr. Chan Chun Kau *(appointed on 3 June 2013)*	1/1
Mr. Chao Pao Shu George *(appointed on 16 September 2013)*	N/A
Mr. Meng Lihui *(retired on 3 June 2013)*	1/1
Mr. Fong Heung Sang *(retired on 3 June 2013)*	1/1

SHAREHOLDERS' RIGHTS

In accordance with the Company's Article 58, the shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

A shareholders' communication policy (the "Policy") was adopted by the Company in March 2012 to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company and also establishing the Policy and reviewing the Policy on a regular basis to ensure its effectiveness.

INVESTOR RELATIONS

There was no amendment made to the constitutional documents of the Company during the year.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar: Hong Kong Registrars Limited, Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Corporate Governance Report

INVESTOR RELATIONS *(continued)*

Other enquiries or comments raised by any shareholder can be mailed to the Board at the Company's head office in Hong Kong at Units 601-608, 6/F, Harbour View Two, Phase Two, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong or sent through email to info@uth.com.hk

ATTENDANCE AT GENERAL MEETING

The Company's annual general meeting provides a useful platform for direct communication between the board and shareholders.

The 2013 annual general meeting ('2013 AGM') was held on 3 June 2013. The attendance record of the Directors at the 2013 AGM is set out below:

	Attendance
Executive Directors:	
Mr. Chen Jinyang *(Chairman) (appointed as Chairman on 16 September 2013)*	✓
Mr. Chau Cheuk Wah *(appointed on 16 September 2013)*	N/A
Mr. Chow Cheuk Lap *(re-designated as an Executive Director on 16 September 2013)*	✓
Mr. Chen Runqiang *(resigned as Chairman on 16 September 2013)*	✓
Mr. Zhou Jianhui	✓
Mr. Xu Hui *(resigned on 12 September 2013)*	✓
Mr. Lau Yeung Sang *(resigned on 12 September 2013)*	✓
Non-Executive Director:	
Ms. Fan Man Yee Alice *(appointed on 16 September 2013)*	N/A
Independent Non-Executive Directors:	
Dr. Cheung Wai Bun, Charles, *J.P.*	✓
Mr. David Tsoi *(appointed on 3 June 2013)*	N/A
Mr. Chan Chun Kau *(appointed on 3 June 2013)*	N/A
Mr. Chao Pao Shu George *(appointed on 16 September 2013)*	N/A
Mr. Meng Lihui *(retired on 3 June 2013)*	✓
Mr. Fong Heung Sang *(retired on 3 June 2013)*	✗

Directors' Report

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was investment holding and those of the principal subsidiaries are set out in note 19(a) to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Company and of the Group at 31 December 2013 are set out in the consolidated financial statements on pages 43 to 111.

No interim dividend was declared and paid during the year (2012: HK$Nil).

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 31 December 2013 (2012: HK$Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 112. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PREMIUM

The Group purchased property, plant and equipment amounting to HK$10,761,000 during the year.

Details of movements in property, plant and equipment and prepaid land lease premium of the Group during the year are set out in notes 14(a) and 15 to the consolidated financial statements respectively.

INVESTMENT PROPERTIES

At 31 December 2013, the investment properties of the Group were revalued by an independent valuer on an open market value basis at HK$166,274,000.

Details of movements in investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

BANK LOAN, SECURED

During the year ended 31 December 2013, the Group has fully repaid the secured bank loan. Details of the secured bank loan are set out in note 27 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 31(a) to the consolidated financial statements.

Directors' Report

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in note 33 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company who held office during the year and up to the date of this report were:

Executive Directors:

Chen Jinyang *(Chairman) (appointed as Chairman on 16 September 2013)*
Chau Cheuk Wah *(appointed on 16 September 2013)*
Chow Cheuk Lap *(re-designated on 16 September 2013)*
Chen Runqiang *(resigned as Chairman on 16 September 2013)*
Zhou Jianhui
Xu Hui *(resigned on 12 September 2013)*
Lau Yeung Sang *(resigned on 12 September 2013)*

Non-Executive Director:

Fan Man Yee Alice *(appointed on 16 September 2013)*

Independent Non-Executive Directors:

Dr. Cheung Wai Bun, Charles, *J.P.*
David Tsoi *(appointed on 3 June 2013)*
Chan Chun Kau *(appointed on 3 June 2013)*
Chao Pao Shu George *(appointed on 16 September 2013)*
Meng Lihui *(retired on 3 June 2013)*
Fong Heung Sang *(retired on 3 June 2013)*

The Independent Non-Executive Directors, Mr. David Tsoi and Mr. Chan Chun Kau, were appointed for an initial term of two years commencing from 3 June 2013 and shall hold office until the next following annual general meeting of the Company and shall be eligible for re-election in accordance with article 86(3) of the Company's Article of Association. Both of them have been re-elected in the Extraordinary General Meeting on 16 September 2013.

The Executive Director, Mr. Chau Cheuk Wah, was appointed in the Extraordinary General Meeting for an initial term of two years commencing from 16 September 2013. Mr. Chau was also appointed as the Chief Executive Officer of the Company on 3 June 2013.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(continued)*

The Non-Executive Director, Ms. Fan Man Yee Alice and the Independent Non-Executive Director, Mr. Chao Pao Shu George were appointed in the Extraordinary General Meeting for an initial term of two years commencing from 16 September 2013.

The Non-Executive Director and Independent Non-Executive Directors were appointed for an initial term of 2 years which is renewable after the expiry of the initial term of appointment.

In accordance with article 87 of the Company's Articles of Association, Mr. Chow Cheuk Lap, Mr. Chen Runqiang, Mr. Zhou Jianhui and Dr. Cheung Wai Bun, Charles, *J.P.* shall retire from office by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The Company has received annual confirmation of independence from each of the Independent Non-Executive Directors pursuant to Rule 3.13 of the Listing Rules and all Independent Directors are considered to be independent.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and top five highest paid individuals of the Group are set out in note 7 to the consolidated financial statements.

SHARE OPTIONS

(A) GEM Share Option Schemes

Pursuant to the written resolutions passed by all the shareholders of the Company on 12 October 2001, the Company adopted the following share option schemes:–

(i) Share Option Scheme

The purpose of the Share Option Scheme is to advance the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward all the directors (whether executive or non-executive and whether independent or not), the employees (whether full-time or part-time), any consultants or advisers of or to any company in the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid ("Eligible Persons")) and any other persons who, in the absolute opinion of the board of directors (the "Board"), have contributed to the Group and to provide to the Eligible Persons a performance incentive for continued and improved service with the Group and by enhancing such persons' contribution to increase profits by encouraging capital accumulation and share ownership. The directors may at their discretion, invite any Eligible Persons to take up options to subscribe for shares.

SHARE OPTIONS *(continued)*

(A) GEM Share Option Schemes *(continued)*

(i) Share Option Scheme (continued)

The maximum entitlement for any one participant (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of shares in issue.

The period within which the shares must be taken up under the option must not be more than ten years from the date of grant of the option. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The subscription price for shares in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion may determine save that such price shall not be less than the higher of (i) the closing price per share on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average of the closing prices per share on GEM as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option.

(ii) Pre-IPO Share Option Schemes

The grantees of these schemes exercised all options before 1 January 2013 and there was no share option outstanding at 31 December 2013.

Upon termination of the GEM Share Option Schemes, no further options may be offered thereunder. However, in respect of the outstanding options, the provisions of the GEM Share Option Schemes shall remain in force. The outstanding options granted under the GEM Share Option Schemes shall continue to be subject to the provision of the GEM Share Option Schemes.

The grantees of the GEM Share Option Schemes exercised all options before 1 January 2013 and there was no share option outstanding at 31 December 2013.

(B) New Share Option Scheme

The GEM Share Option Schemes adopted by the Company on 12 October 2001 were terminated, upon the listing of the shares of the Company being transferred from GEM to the Main Board of the Stock Exchange on 22 June 2010. The Board adopted a new share option scheme ("New Share Option Scheme") which is compliance with the Listing Rules and obtained the approval of the shareholders in accordance with the Listing Rules at the Company's extraordinary general meeting held on 12 August 2010.

The purpose of the New Share Option Scheme is to enable the Company to grant options to participants an incentive or rewards for their contributions to the Group.

Directors' Report

SHARE OPTIONS *(continued)*

(B) New Share Option Scheme *(continued)*

The New Share Option Scheme was adopted for a period of ten years commencing from 12 August 2010 and will remain in force until 11 August 2020, after which period no further options will be offered or granted but the provisions of the scheme shall remain in full force and effect in all other respects with regard to options granted during the life of the scheme. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The subscription price for shares in respect of any option granted shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price for shares shall be at least not lower than the higher of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.

At 31 December 2013, the number of shares in respect of which options had been granted and outstanding under the New Share Option Scheme was 120,000,000, representing approximately 6% of the issued share capital of the Company.

A summary of the movements of the share options granted under the New Share Option Schemes during the year is as follows:–

					Number of share options						
Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2013	Market value per share at date of grant of option	Market value per share on exercise of option
Director, senior management and staff of the Group	31 August 2010	Fully vested on 31 August 2010	31 August 2010 to 30 August 2013	HK$0.360	3,150,000	—	(2,150,000)	(1,000,000)	—	HK$0.310	HK$0.530
Consultants, senior management and staff of the Group	19 May 2011	Fully vested on 19 May 2011	19 May 2011 to 18 May 2013	HK$0.560	137,870,000	—	(136,720,000)	(1,150,000)	—	HK$0.470	HK$0.570–HK$0.630
Directors of the Group	25 November 2013	Fully vested on 25 November 2013	25 November 2013 to 11 August 2020	HK$0.465	—	120,000,000	—	—	120,000,000	HK$0.460	—
					141,020,000	120,000,000	(138,870,000)	(2,150,000)	120,000,000		

Note: The Company received a consideration of HK$1.00 from each of the grantees of the New Share Option Schemes.

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

At 31 December 2013, the interests or short positions of the Directors and chief executives or their associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")) which (i) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules were as follows:–

Name of directors	Interests in ordinary shares			Total interests in ordinary shares	Total interests in underlying shares (note 1)	Aggregate interests	% of the Company's issued share
	Personal interests	Family interests	Corporate interests (note 2)				
Executive Directors:							
Mr. Chen Jinyang (note 1)	—	—	—	—	20,000,000	20,000,000	0.97%
Mr. Chau Cheuk Wah (note 1)	—	—	—	—	20,000,000	20,000,000	0.97%
Mr. Chen Runqiang (note 1)	6,000,000	—	—	6,000,000	20,000,000	26,000,000	1.26%
Mr. Chow Cheuk Lap (note 1, 2)	—	—	67,540,000	67,540,000	20,000,000	87,540,000	4.23%
Mr. Zhou Jianhui (note 1)	6,000,000	—	—	6,000,000	20,000,000	26,000,000	1.26%
Non-executive Director:							
Ms. Fan Man Yee Alice (note 1)	—	—	—	—	20,000,000	20,000,000	0.97%
Independent Non-executive Directors:							
Dr. Cheung Wai Bun, Charles, *J.P.*	—	—	—	—	—	—	—
Mr. David Tsoi	—	—	—	—	—	—	—
Mr. Chan Chun Kau	—	—	—	—	—	—	—
Mr. Chao Pao Shu George	—	—	—	—	—	—	—

Notes:

1. The interests of Mr. Chen Jinyang, Mr. Chau Cheuk Wah, Mr. Chen Runqiang, Mr. Chow Cheuk Lap, Mr. Zhou Jianhui and Ms. Fan Man Yee Alice in underlying shares of the Company represent the interests in share options granted to them under the share option schemes of the Company.

   Details of the interests in the share options of the Company are separately disclosed in the section headed "Share Options".

2. Total interests of Mr. Chow Cheuk Lap in the ordinary shares of the Company include 67,540,000 shares held by Top Nation International Limited ("Top Nation"). Mr. Chow Cheuk Lap owns 50% beneficial interests in Top Nation and he is deemed to be interested in these ordinary shares held by Top Nation.

3. There were no debt securities nor debentures issued by the Group at any time during the year ended 31 December 2013.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Save as disclosed above, so far as the Directors are aware at 31 December 2013, none of the Directors or chief executives or their associates of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

The Directors confirmed that at 31 December 2013 and for the year ended 31 December 2013:–

(i) the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings according to the Model Code; and

(ii) all the Directors complied with the required standard of dealings and the Company's code of conduct regarding Directors' securities transactions.

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING

So far as is known to any Director or chief executive of the Company, at 31 December 2013, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company were as follows:–

(a) Long positions in the shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of interests
Ever City Industrial Development Limited (note 1)	Beneficial owner and interest in controlled corporation	356,000,000	17.19%
Mr. Yang Zhimao (note 1)	Interest in controlled corporation	356,000,000	17.19%
Eastcorp International Limited (note 3)	Beneficial owner and person having a security interest in shares	250,000,000	12.07%
World One Investments Limited (note 2)	Beneficial owner	204,380,000	9.87%
Mr. Lau Yeung Sang (note 2)	Interest in controlled corporation	204,380,000	9.87%
Mr. Chai Ming (note 2)	Interest in controlled corporation	204,380,000	9.87%
Mr. Song Tie Ming (note 4)	Beneficial owner and interest of spouse	160,000,000	7.73%
Ms. Li Yuan (note 5)	Beneficial owner and interest of spouse	160,000,000	7.73%
Ms. Zhu Fenglian (note 1)	Interest in controlled corporation	106,000,000	5.12%

Notes:

1. Mr. Yang Zhimao is deemed to be interested in 356,000,000 shares, comprising (a) 106,000,000 shares directly held by his controlled corporation, Ever City Industrial Development Limited; (b) 200,000,000 shares directly held by his controlled corporation, Eastcorp International Limited; and (c) 50,000,000 shares deemed to be interested by Eastcorp International Limited in the capacity of "person having a security interest in shares". Eastcorp International Limited is owned as to 50% by Ever City Industrial Development Limited, which is in turn 80% owned by Mr. Yang Zhimao. The remaining 20% shareholding in Ever City Industrial Development Limited is owned by Ms. Zhu Fenglian, the spouse of Mr. Yang Zhimao. Pursuant to the SFO, Ever City Industrial Development Limited is also deemed to be interested in the entire 356,000,000 shares because Eastcorp International Limited is deemed to be its controlled corporation. Eastcorp International Limited is beneficially owned by Ever City Industrial Development Limited, Mr. Chau Cheuk Wah and Mr. Chen Zhihao as to 50%, 25% and 25% respectively. Eastcorp International Limited directly holds 200,000,000 shares and has a security interest in 50,000,000 shares.

2. World One Investments Limited is deemed to be interested in 204,380,000 shares, comprising (a) 154,380,000 shares in the capacity of beneficial owner; and (b) 50,000,000 shares in the capacity of "other interest". World One Investments Limited is owned as to 50% by each of Mr. Lau Yeung Sang and Mr. Chai Ming. Pursuant to the SFO, each of Mr. Lau Yeung Sang and Mr. Chai Ming is deemed to be interested in the entire 204,380,000 shares because World One Investments Limited is a controlled corporation of each of them.

Directors' Report

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING *(continued)*

(a) Long positions in the shares of the Company *(continued)*

Notes: *(continued)*

3. Eastcorp International Limited is beneficially owned by Ever City Industrial Development Limited, Mr. Chau Cheuk Wah and Mr. Chen Zhihao as to 50%, 25% and 25% respectively. Eastcorp International Limited directly holds 200,000,000 shares and has a security interest in 50,000,000 shares.

4. Mr. Song Tie Ming is deemed to be interested in 160,000,000 shares, comprising (a) 141,500,000 shares directly held by him; and (b) 18,500,000 shares held by Ms. Li Yuan, the spouse of Mr. Song Tie Ming, Mr. Song Tie Ming is deemed to be interested in all shares held by Ms. Li Yuan under the SFO.

5. Ms. Li Yuan is deemed to be interested in 160,000,000 shares, comprising (a) 18,500,000 shares directly held by her; and (b) 141,500,000 shares held by Mr. Song Tie Ming, the spouse of Ms. Li Yuan, Ms. Li Yuan is deemed to be interested in all shares held by Mr. Song Tie Ming under the SFO.

(b) Long positions in underlying shares of equity derivatives of the Company

So far as the Directors are aware, save as disclosed herein, no persons have long positions in underlying shares of equity derivatives of the Company.

(c) Short positions in the shares and underlying shares of equity derivatives of the Company

So far as the Directors are aware, save as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives of the Company.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' and chief executives' interests or short positions in shares, underlying shares and debentures" and "Persons who have an interest or a short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholding" above, at 31 December 2013, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

COMPETITION AND CONFLICT OF INTERESTS

During the year, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 9% of the total sales for the year and sales to the largest customer included therein amounted to approximately 2%. Purchases from the Group's five largest suppliers accounted for approximately 20% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 18%.

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

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

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

During the year ended 31 December 2012, a total of 3,880,000 shares were repurchased at an aggregate price paid of HK$1,812,000.

During the year ended 31 December 2011, a total of 27,670,000 shares were repurchased but only 25,920,000 repurchased shares were cancelled. The remaining 1,750,000 repurchased shares with an aggregate price paid of HK$810,000 were cancelled on 17 February 2012.

The 3,880,000 repurchased shares in 2012 and the 1,750,000 shares repurchased in 2011 were cancelled in 2012 and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to Section 37(4) of the Companies Law (2004 Revision) of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK$56,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares in 2012 and 2011 of HK$1,773,000 and HK$793,000 respectively were charged to the share premium account in 2012.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules up to the date of this annual report.

Directors' Report

CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 21 to 29 of the Annual Report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 December 2013. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters.

AUDITOR

A resolution to re-appoint the retiring auditor, Messrs. PKF, is to be proposed at the forthcoming general meeting.

On behalf of the Board

Chen Jinyang
Chairman

Hong Kong, 28 March 2014

Independent Auditor's Report

大信梁學濂(香港)會計師事務所

PKF

Accountants &
business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

香港
銅鑼灣
威非路道18號
萬國寶通中心26樓

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

We have audited the consolidated financial statements of Universal Technologies Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 111, which comprise the consolidated and Company's statements of financial position at 31 December 2013, and the consolidated statement of profit or loss, 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 are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

Independent Auditor's Report

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

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

OPINION

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

PKF
Certified Public Accountants
Hong Kong, 28 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Turnover	4	**189,847**	126,719
Cost of sales/services rendered		**(38,458)**	(16,125)
Gross profit		**151,389**	110,594
Other revenue	4	**15,728**	28,944
Other income	5	**6,560**	6,517
General and administrative expenses		**(178,886)**	(125,309)
(Loss)/profit from operations		**(5,209)**	20,746
Gain on bargain purchase	34	**—**	209
Increase in fair value of investment properties	16	**6,996**	8,869
Impairment loss on goodwill	18	**(3,468)**	—
Impairment loss on debtors	23	**(1,704)**	—
Impairment loss on other receivables	24	**(5,931)**	(693)
Share of results of an associate	20	**(444)**	(435)
Finance costs	6(a)	**(4,586)**	(11,528)
(Loss)/profit before income tax	6	**(14,346)**	17,168
Income tax expense	8	**(10,519)**	(3,022)
(Loss)/profit for the year		**(24,865)**	14,146
Attributable to:			
Shareholders of the Company	10	**(34,085)**	6,989
Non-controlling interests		**9,220**	7,157
(Loss)/profit for the year		**(24,865)**	14,146
(Loss)/earnings per share (in cents)			
Basic	12	**(1.78)**	0.41
Diluted	12	**(1.78)**	0.41

Details of dividends payable to shareholders of the Company are set out in note 11.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	**2013** **HK$'000**	2012 HK$'000
(Loss)/profit for the year		**(24,865)**	14,146
Other comprehensive income:–			
Items that may be reclassified subsequently to profit or loss:–			
Exchange differences arising on translation of financial statements of subsidiaries established in the People's Republic of China		**13,382**	1,664
Other comprehensive income for the year, net of tax		**13,382**	1,664
Total comprehensive (loss)/income for the year		**(11,483)**	15,810
Total comprehensive (loss)/income attributable to:			
Shareholders of the Company		**(22,230)**	8,509
Non-controlling interests		**10,747**	7,301
		(11,483)	15,810

Consolidated Statement of Financial Position

At 31 December 2013

	Note	**2013 HK$'000**	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14(a)	**53,888**	63,445
Prepaid land lease premium	15	**42,317**	42,128
Investment properties	16	**166,274**	154,026
Intangible assets	17	**18,443**	16,504
Goodwill	18	**76,402**	79,870
Interest in an associate	20	**270**	697
Other investment	21	**12,683**	12,272
Other receivable	24	**4,566**	—
		374,843	368,942
CURRENT ASSETS			
Inventories	22	**36,713**	42,033
Debtors	23	**128,003**	87,099
Deposits, prepayments and other receivables	24	**30,412**	79,359
Financial assets at fair value through profit or loss	25	**1,794**	10,057
Prepaid land lease premium	15	**1,238**	1,202
Tax recoverable		**1,153**	816
Pledged time deposits	26	**—**	115,357
Cash and bank balances	26	**592,079**	341,535
		791,392	677,458
DEDUCT:			
CURRENT LIABILITIES			
Bank overdraft, unsecured	39	**4,241**	—
Bank loan, secured	27, 39	**—**	217,765
Payable to merchants	28	**364,189**	247,879
Deposits received, sundry creditors and accruals	29	**100,016**	67,168
Tax payable		**6,170**	3,473
		474,616	536,285
NET CURRENT ASSETS		**316,776**	141,173

Consolidated Statement of Financial Position

At 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**691,619**	510,115
DEDUCT :			
NON-CURRENT LIABILITY			
Deferred tax liability	9(a)	**17,350**	15,072
		17,350	15,072
NET ASSETS		**674,269**	495,043
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	31(a)	**20,705**	17,396
Reserves	33(a)	**598,359**	433,189
		619,064	450,585
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
NON-CONTROLLING INTERESTS		**55,205**	44,458
TOTAL EQUITY		**674,269**	495,043

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 28 MARCH 2014

CHEN JINYANG
DIRECTOR

CHAU CHEUK WAH
DIRECTOR

Statement of Financial Position

At 31 December 2013

	Note	**2013 HK$'000**	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14(b)	**2,146**	3,329
Interests in subsidiaries	19	**426,019**	566,529
		428,165	569,858
CURRENT ASSETS			
Deposits, prepayments and other receivables	24	**1,561**	1,470
Cash and bank balances		**95,970**	2,044
		97,531	3,514
DEDUCT:			
CURRENT LIABILITIES			
Bank loan, secured	27, 39	**—**	217,765
Sundry creditors and accruals	29	**3,186**	3,768
Amounts due to subsidiaries	30	**48,852**	36,899
		52,038	258,432
NET CURRENT ASSETS/(LIABILITIES)		**45,493**	(254,918)
NET ASSETS		**473,658**	314,940
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	31(a)	**20,705**	17,396
Reserves	33(b)	**452,953**	297,544
TOTAL EQUITY		**473,658**	314,940

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 28 MARCH 2014

CHEN JINYANG
DIRECTOR

CHAU CHEUK WAH
DIRECTOR

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before income tax		**(14,346)**	17,168
Adjustments for:			
Interest on bank deposits		**(8,092)**	(10,235)
Other interest income		**(72)**	(4,594)
Interest expenses		**2,756**	6,141
Dividend income from investments		**(25)**	(279)
Depreciation		**18,071**	12,360
Amortisation of prepaid land lease premium		**1,223**	1,221
Amortisation of intangible assets		**650**	637
Share of results of an associate		**444**	435
Loss on disposal of property, plant and equipment		**4,517**	2,589
Increase in fair value of investment properties		**(6,996)**	(8,869)
Loss/(gain) on change in fair value of financial assets		**724**	(214)
Gain on disposal of financial assets		**(790)**	(2,840)
Impairment loss on goodwill		**3,468**	—
Impairment loss on debtors		**1,704**	—
Impairment loss on other receivables		**5,931**	693
Write-down of inventories		**1,614**	—
Equity settled share-based payment expenses		**4,796**	—
Gain on bargain purchase		**—**	(209)
Operating profit before working capital changes		**15,577**	14,004
Decrease/(increase) in inventories		**3,685**	(14,660)
(Increase)/decrease in debtors		**(42,585)**	32,178
Decrease in deposits, prepayments and other receivables		**38,538**	91,451
Decrease in trade payable		**—**	(75)
Increase/(decrease) in payable to merchants		**116,310**	(80,771)
Increase/(decrease) in deposits received, sundry creditors and accruals		**32,848**	(79,705)
Cash generated from/(used in) operations		**164,373**	(37,578)
Bank interest received		**8,092**	10,235
Interest paid		**(2,756)**	(6,141)
Tax paid		**(6,446)**	(2,929)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**163,263**	(36,413)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from investments		**25**	279
Other interest income received		**72**	4,594
Payments to acquire property, plant and equipment		**(10,761)**	(19,170)
Proceeds from disposal of property, plant and equipment		**61**	—
Payments to acquire investment properties		**—**	(6,153)
Payments to acquire intangible assets		**(2,106)**	(1,677)
Capital injection into an investment project		**—**	(12,272)
Payments to acquire financial assets at fair value through profit or loss		**—**	(19,827)
Proceeds from disposal of financial assets at fair value through profit or loss		**8,450**	27,418
Net cash outflow arising on acquisition of a subsidiary	34	**—**	(726)
Payment to acquire interest in an associate		**—**	(1,107)
Proceeds from disposal of partial interests in a subsidiary	35	**—**	45,011
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		**(4,259)**	16,370
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**—**	(17,046)
Proceeds from shares issued under share option scheme		**77,337**	15,558
Proceeds from shares issued under placing		**111,360**	—
Payments for repurchase of own shares		**—**	(1,812)
Repayment of bank loan, secured		**(217,765)**	—
Decrease in pledged time deposits		**115,357**	—
Shares issuing expenses		**(2,784)**	—
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**83,505**	(3,300)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**242,509**	(23,343)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**3,794**	(459)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**341,535**	365,337
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**587,838**	341,535
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**592,079**	341,535
Bank overdraft, unsecured		**(4,241)**	—
Cash and bank balances, net		**587,838**	341,535

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to shareholders of the Company													
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Treasury shares reserve HK$'000	Capital reserve HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	Share options reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1.1.2012	17,025	288,926	425	(810)	1,093	10,754	5,196	6,191	9,753	137	78,416	417,106	23,615	440,721
Transferred to retained profits	—	—	—	—	—	—	—	(16)	—	—	16	—	—	—
Shares issued under share option schemes	427	16,750	—	—	—	—	—	(1,619)	—	—	—	15,558	—	15,558
Dividend paid	—	—	—	—	—	—	—	—	—	—	(17,046)	(17,046)	—	(17,046)
Repurchased of own shares	(56)	(2,566)	56	810	—	—	—	—	—	—	(56)	(1,812)	—	(1,812)
Change in ownership interests in a subsidiary that do not result in a loss of control	—	—	—	—	—	—	—	—	—	28,270	—	28,270	13,542	41,812
Total comprehensive income for the year	—	—	—	—	—	—	1,520	—	—	—	6,989	8,509	7,301	15,810
Transferred to statutory reserve	—	—	—	—	—	—	—	—	6,255	—	(6,255)	—	—	—
At 31.12.2012 and 1.1.2013	17,396	303,110	481	—	1,093	10,754	6,716	4,556	16,008	28,407	62,064	450,585	44,458	495,043
Equity settled share-based transactions	—	—	—	—	—	—	—	4,796	—	—	—	4,796	—	4,796
Transferred to retained profits	—	—	—	—	—	—	—	(76)	—	—	76	—	—	—
Shares issued under share option scheme	1,389	80,428	—	—	—	—	—	(4,480)	—	—	—	77,337	—	77,337
Shares issued under placing	1,920	106,656	—	—	—	—	—	—	—	—	—	108,576	—	108,576
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	11,855	—	—	—	(34,085)	(22,230)	10,747	(11,483)
Transferred to statutory reserve	—	—	—	—	—	—	—	—	5,895	—	(5,895)	—	—	—
At 31.12.2013	**20,705**	**490,194**	**481**	**—**	**1,093**	**10,754**	**18,571**	**4,796**	**21,903**	**28,407**	**22,160**	**619,064**	**55,205**	**674,269**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 27 March 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The address of the registered office is Units 601–608, 6/F, Harbour View Two, Phase Two, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

Pursuant to the reorganisation to rationalise the structure of the Company and its subsidiaries in the preparation for the listing of the Company's shares on The Growth Enterprise Market ("GEM") operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2001, the Company became the holding company of the companies now comprising the Group. The shares of the Company were listed on GEM on 26 October 2001.

On 22 June 2010, the listing of shares of the Company was transferred to the Main Board of the Stock Exchange.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:–

(a) Initial application of Hong Kong Financial Reporting Standards

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

HKAS 19 (2011)	Employee Benefits
HKAS 27	Separate Financial Statements
HKAS 28	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Annual improvements to HKFRSs (2009–2011)	Amendments to HKAS 1, HKAS 16 and HKAS 32

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Initial application of Hong Kong Financial Reporting Standards *(continued)*

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

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

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

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

(b) Measurement basis

The consolidated financial statements are prepared under the historical cost basis as modified by revaluation of investment properties and financial assets at fair value through profit or loss as explained in the accounting policies set out below.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated statement of profit or loss from the dates of acquisition or to the dates of disposal respectively. All significant intra-group transactions and balances have been eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of consolidation *(continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

(d) Subsidiaries

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

In the Company's statement of financial position, investments in subsidiaries are stated at cost less provision for impairment losses. Income from subsidiaries is recognised in the Company's financial statements when the shareholder's right to receive payment is established.

(e) Associate

An associate is an entity, not being a subsidiary or a joint venture, in which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, the consolidated statement of profit or loss includes the Group's share of the post-acquisition results of the associates and the consolidated statement of financial position includes the Group's share of the net assets of the associate, as reduced by any identified impairment losses.

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management that makes strategic decisions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Foreign currency translation

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

Foreign currency transactions of the Group are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period and the exchange differences arising are recognised in profit or loss. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined and the exchange differences arising are recognised in profit or loss except for the exchange component of a gain or loss that is recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Such translation differences are reclassified from equity to profit or loss when in which the foreign operation is disposed of.

(h) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less aggregate depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the plant and equipment have been put into operation, such as repairs and maintenance, is charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the plant and equipment, the expenditure is capitalised as an additional cost of the asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated to write off the cost of property, plant and equipment less any estimated residual value, on a straight-line basis over their estimated useful lives as follows:–

Leasehold land	— unexpired term of the lease
Leasehold buildings	— 40 years - 47 years
Leasehold improvement	— Shorter of 5 years and the unexpired term of the lease
Plant and machinery	— 5 years
Office equipment, computer and other equipment	— 5 years
Furniture and fixtures	— 5 years
Motor vehicles	— 5 years

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

Gain or loss arising from the retirement or disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss on the date of retirement or disposal.

(i) Lease

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

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

(j) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, is classified as investment property.

Investment property comprises land held under operating lease and building held under finance lease.

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

Investment property is measured initially at cost, including related transaction costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Investment property *(continued)*

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the consolidated financial statements.

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

(k) Intangible assets

(i) Research and development expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all the following have been demonstrated:–

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Intangible assets *(continued)*

(i) Research and development expenditure (continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

(ii) Computer software and technology

Computer software and technology is recognised when the project under development expenditure was completed. Amortisation is calculated using the straight-line basis over their estimated economic lives of ten years.

(iii) Domain name

Domain name recognised and measured at fair value at the acquisition date. Domain name has an indefinite useful life and is carried at cost less accumulated impairment losses.

(l) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(m) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Investments

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the end of the reporting period.

(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 arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the consolidated statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(iv) 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 end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Investments *(continued)*

Purchases and sales of investments are recognised on trade-date — the date on which 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. Investments 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 and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income and accumulated separately in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains or losses from investment securities.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value represents the estimated selling price less direct selling costs.

(p) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Cash equivalents

Cash equivalents are 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.

(r) 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.

(s) Borrowing costs

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

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

(t) Income tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of profit or loss because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes profit or loss items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable when the Group recovers or settles the carrying amounts of assets or liabilities recognised in the consolidated financial statements.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset is realised.

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or directly in equity respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Income tax *(continued)*

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

(u) Employee benefits

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the People's Republic of China (the "PRC") central pension scheme, are recognised as an expense in profit or loss as incurred.

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

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Provisions and contingent liabilities

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

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

(w) Recognition of revenue

Revenue from the provision of enterprise solutions services is recognised on a straight-line basis over the period in which the work is performed.

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Handling income from online payment platform transaction is recognised when the transaction is authorised and completed.

Annual fee income of online payment platform services is recognised on a straight-line basis over the years of the services.

Set up fee income of online payment platform services is recognised at the time when the services are rendered.

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

Dividend income is recognised at the time when the shareholders' right to receive payment has been established.

Rental income receivable under operating lease is recognised on a straight-line basis over the terms of the relevant lease.

Building management service income is recognised over the relevant period in which the services are rendered.

Franchise fee income is recognised at the time when the initial services are rendered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Recognition of revenue *(continued)*

Government grants are recognised in the consolidated statement of financial position 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 expenses.

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

HKFRS 9	Financial Instruments
HK(IFRIC)-Int 21	Levies
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10	Investment Entities

The Group is required to initially apply these standards and amendments in its annual consolidated financial statements beginning on 1 January 2014, except that the Group is required to initially apply amendments to HKAS 19 in its annual consolidated financial statements beginning on 1 January 2015. HKFRS 9 does not have a mandatory effective date.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 2 to the consolidated financial statements, management had made the following estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Inventories

Note 2(o) to the consolidated financial statements describes that inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

The Group does not have a general provisioning policy on inventory based on ageing given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. However, operational procedures have been in place to monitor this risk as majority of working capital is devoted to inventories. The sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow-moving items. In addition, physical count on all inventories are carried out on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified. In this regards, the directors of the Group are satisfied that this risk is minimal and adequate provision for obsolete and slow-moving inventories has been made in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Key sources of estimation uncertainty *(continued)*

(ii) Depreciation

The management determines the estimated useful lives and related depreciation of the property, plant and equipment as set out in note 2(h) to the consolidated financial statements. The estimate is based on projected lifecycles of the assets. Management will increase the depreciation expense where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using straight-line method.

(iii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was HK$76,402,000 (2012: HK$79,870,000). Details of the impairment loss calculation are provided in note 18 to the consolidated financial statements.

(iv) Estimation of fair value of investment properties

Investment properties were revalued at 31 December 2013 based on the appraised market value by an independent valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period. The carrying amount of investment properties at 31 December 2013 was HK$166,274,000 (2012: HK$154,026,000).

(v) PRC enterprise income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgment based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have impact on the income tax and tax provisions in the period in which the differences realise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Key sources of estimation uncertainty *(continued)*

(vi) Other investment

The Group invested into a company which engaged in a property development project, which is included in its consolidated statement of financial position at 31 December 2013 at HK$12,683,000 (2012: HK$12,272,000). The project is in a preliminary stage, therefore the Group has not appointed an independent professional valuer to assess the fair value of the investment. The investment will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

(b) Critical judgements

In the process of applying the Group's accounting policies, judgements that can significantly affect the amounts recognised in the consolidated financial statements are made in determining:–

(i) whether the significant risks and rewards of ownership of goods have been transferred to the buyer;

(ii) whether there is an indication of impairment of assets;

(iii) the expected manner of recovery of the carrying amount of assets;

(iv) whether the discount rates used to calculate the recoverable amount of goodwill and other assets are appropriate for the purpose of impairment review; and

(v) the valuation method used to calculate the fair value of share options at the measurement date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. TURNOVER AND OTHER REVENUE

The Group is principally engaged in investment holding, provision of payment solutions and related services, timber trading and furniture manufacturing, system integration and technical platform services, property investment and building management. Turnover for the year represents revenue recognised from the provision of payment handling income net of tax, the net invoiced value of goods sold and rental and building management service income. An analysis of the Group's turnover and other revenue is set out below:–

	2013	2012
	HK$'000	HK$'000
Payment solutions and related services income	**151,618**	103,888
Timber trading and furniture manufacturing	**35,216**	18,631
Rental and building management service income	**3,013**	4,200
Turnover	**189,847**	126,719
Interest on bank deposits	**8,092**	10,235
Other interest income	**72**	4,594
Government subsidy	**7,539**	13,271
Franchise fee income	**—**	565
Dividend income	**25**	279
Other revenue	**15,728**	28,944
Total revenue	**205,575**	155,663

5. OTHER INCOME

	2013	2012
	HK$'000	HK$'000
Gain on disposal of financial assets	**790**	2,840
Gain on change in fair value of financial assets	**—**	214
Exchange gain	**4,768**	101
Others	**1,002**	3,362
	6,560	6,517

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. (LOSS)/PROFIT BEFORE INCOME TAX

	2013 HK$'000	2012 HK$'000
(Loss)/profit before income tax is arrived at after charging/ (crediting):–		
(a) Finance costs		
Interest on bank loan wholly repayable within five years	**2,552**	6,131
Interest on bank overdraft	**204**	10
Bank charges	**1,830**	5,387
	4,586	11,528
(b) Other items		
Auditor's remuneration	**675**	672
Cost of inventories sold	**36,620**	14,880
Staff costs (including directors' remuneration)		
— Salaries and other benefits	**100,647**	66,846
— Pension scheme contributions	**13,157**	10,374
— Equity settled share-based payment expenses	**4,796**	—
	118,600	77,220
Depreciation	**18,071**	12,360
Impairment loss on debtors	**1,704**	—
Impairment loss on other receivables	**5,931**	693
Impairment loss on goodwill	**3,468**	—
Write-down of inventories	**1,614**	—
Amortisation of intangible assets	**650**	637
Amortisation of prepaid land lease premium	**1,223**	1,221
Loss/(gain) on change in fair value of financial assets	**724**	(214)
Minimum operating lease rentals	**9,772**	9,386
Sale proceeds of property, plant and equipment	**(61)**	—
Less: Carrying amounts of property, plant and equipment	**4,578**	2,589
Loss on disposal of property, plant and equipment	**4,517**	2,589
Gain on disposal of financial assets	**(790)**	(2,840)
Rental income less outgoings	**(2,516)**	(3,543)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors

The remuneration of each director for the year ended 31 December 2013 and 31 December 2012 are set out below:–

	Year ended 31 December 2013					
Name of director	**Fees HK$'000**	**Salaries, allowances and other benefits in kind HK$'000 (note i)**	**Pension scheme contributions HK$'000**	**Sub-total HK$'000**	**Share based payment HK$'000**	**Total HK$'000**
Mr. Chen Runqiang	**60**	**2,112**	**—**	**2,172**	**799**	**2,971**
Mr. Xu Hui (note iv)	**42**	**765**	**—**	**807**	**—**	**807**
Mr. Lau Yeung Sang (note iv)	**76**	**—**	**—**	**76**	**—**	**76**
Mr. Zhou Jianhui	**60**	**1,680**	**—**	**1,740**	**800**	**2,540**
Mr. Chen Jinyang	**60**	**1,680**	**—**	**1,740**	**800**	**2,540**
Mr. Chow Cheuk Lap	**285**	**360**	**—**	**645**	**799**	**1,444**
Mr. Meng Lihui (note v)	**152**	**84**	**—**	**236**	**—**	**236**
Mr. Fong Heung Sang (note v)	**152**	**35**	**—**	**187**	**—**	**187**
Dr. Cheung Wai Bun, Charles, *J.P.*	**315**	**26**	**—**	**341**	**—**	**341**
Mr. Chau Cheuk Wah	**15**	**674**	**4**	**693**	**799**	**1,492**
Ms. Fan Man Yee, Alice (note ii)	**60**	**—**	**—**	**60**	**799**	**859**
Mr. Chao Pao Shu, George (note ii)	**60**	**—**	**—**	**60**	**—**	**60**
Mr. David Tsoi (note iii)	**139**	**—**	**—**	**139**	**—**	**139**
Mr. Chan Chun Kau (note iii)	**139**	**—**	**—**	**139**	**—**	**139**
	1,615	**7,416**	**4**	**9,035**	**4,796**	**13,831**

	Year ended 31 December 2012					
Name of director	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000 (note i)	Pension scheme contributions HK$'000	Sub-total HK$'000	Share based payment HK$'000	Total HK$'000
Mr. Chen Runqiang	34	822	—	856	—	856
Mr. Xu Hui (note iv)	48	1,202	—	1,250	—	1,250
Mr. Lau Yeung Sang (note iv)	108	9	—	117	—	117
Mr. Liu Ruisheng (note vii)	24	—	—	24	—	24
Mr. Zhou Jianhui	2	181	—	183	—	183
Mr. Chen Jinyang	2	181	—	183	—	183
Madam Ren Lili (note viii)	12	24	2	38	—	38
Madam Luan Yumin (note vi)	37	673	54	764	—	764
Mr. Chang Hung Lun (note vi)	42	500	9	551	—	551
Mr. Chow Cheuk Lap	300	—	—	300	—	300
Mr. Meng Lihui (note v)	300	35	—	335	—	335
Mr. Fong Heung Sang (note v)	300	35	—	335	—	335
Dr. Cheung Wai Bun, Charles, *J.P.*	240	26	—	266	—	266
	1,449	3,688	65	5,202	—	5,202

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) Directors *(continued)*

Notes:–

i. Salaries, allowances and other benefits in kind included basic salaries, housing and other allowances, benefits in kind and employee share option benefits. The employee share option benefits represent fair value at the date the share options were granted and accepted under the scheme amortised to the statement of profit or loss during the period disregarding whether the options have been exercised or not.

ii. Appointed on 16 September 2013.

iii. Appointed on 3 June 2013.

iv. Resigned on 12 September 2013.

v. Retired on 3 June 2013.

vi. Resigned on 10 September 2012.

vii. Resigned on 8 June 2012.

viii. Resigned on 12 March 2012.

No directors waived any emolument during the year.

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, of which all (2012: three) are directors of the Company and the details of their remuneration have already been disclosed above.

During the year ended 31 December 2012, the emoluments and designated band of the remaining two non-directors, highest paid employees were as follows:–

	2013 **HK$'000**	2012 HK$'000
Salaries, allowances and other benefits in kind	—	1,860
Pension scheme contributions	—	79
Equity settled share-based payment expenses	—	—
	—	1,939

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(continued)*

(b) Five highest paid individuals *(continued)*

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

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

During the year, 100,000,000 share options (2012: Nil) were granted to the above highest paid employees in respect of their services to the Group.

During the year, no emolument was paid by the Group to the five highest paid employees, including the directors of the Company, as an inducement to join, or upon joining the Group.

8. INCOME TAX EXPENSE

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"). The New CIT Law reduces the corporate income tax rate from 27% or 33% to 25% with effect from 1 January 2008. The Company's subsidiaries operating in the PRC are subject to the tax rate at 25% (2012: 25%).

During the year, certain subsidiaries in the PRC are entitled to preferential tax treatments. Certain subsidiaries are entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the applicable tax rate ("Five-year tax holiday"). Other subsidiaries in the PRC did not generate any assessable profits subject to Mainland China corporate income tax.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

8. INCOME TAX EXPENSE *(continued)*

(b) The income tax expense represents the sum of the current tax and deferred tax and is made up as follows:–

	2013 **HK$'000**	2012 HK$'000
Current tax:–		
Current year	**5,851**	596
Under-provision in respect of previous year	**2,919**	547
	8,770	1,143
Deferred taxation (note 9(a)):–		
Current year	**1,749**	2,419
Over-provision in respect of previous year	**—**	(540)
	1,749	1,879
	10,519	3,022

(c) The income tax expense for the year can be reconciled to the (loss)/profit per consolidated statement of profit or loss as follows:–

	Hong Kong		PRC		Total	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
(Loss)/profit before income tax	**(33,349)**	(25,408)	**19,003**	42,576	**(14,346)**	17,168
Applicable tax rate (%)	**16.5**	16.5	**25**	25	**N/A**	N/A
Tax on (loss)/profit before income tax, calculated at the applicable tax rate	**(5,502)**	(4,192)	**4,751**	10,644	**(751)**	6,452
Tax effect of non-deductible expenses in determining taxable profit	**1,473**	2,181	**9,223**	1,947	**10,696**	4,128
Tax effect of non-taxable revenue in determining taxable profit	**(761)**	(30)	**(1,363)**	(1,043)	**(2,124)**	(1,073)
Tax effect of unrecognised decelerated/ (accelerated) depreciation allowances	**170**	20	**(405)**	(70)	**(235)**	(50)
Tax effect of unrecognised tax losses	**4,620**	2,021	**3,352**	940	**7,972**	2,961
Tax effect on tax free concession	**—**	—	**(7,958)**	(9,403)	**(7,958)**	(9,403)
Under/(over)-provision in respect of previous year	**111**	(10)	**2,808**	557	**2,919**	547
Over-provision of deferred tax in previous years	**—**	—	**—**	(540)	**—**	(540)
Income tax expense	**111**	(10)	**10,408**	3,032	**10,519**	3,022

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

9. DEFERRED TAXATION

(a) The following is deferred tax liability recognised by the Group and movements hereon during the current year and prior year:–

	Accelerated depreciation allowances of property, plant and equipment and revaluation of investment properties HK$'000
At 1.1.2012	(13,122)
Charged to profit or loss — note 8(b)	(2,419)
Over-provision in respect of previous year — note 8(b)	540
Exchange adjustments	(71)
At 31.12.2012 and 1.1.2013	(15,072)
Charged to profit or loss — note 8(b)	(1,749)
Exchange adjustments	(529)
At 31.12.2013	**(17,350)**

(b) The components of unrecognised deductible/(taxable) temporary difference of the Group and the Company are as follows:–

	The Group		**The Company**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Deductible temporary differences — notes (i) and (ii)				
Decelerated tax allowances	**—**	1,474	**—**	—
Unutilised tax losses	**100,273**	58,868	**65,616**	37,669
	100,273	60,342	**65,616**	37,669
Taxable temporary difference — note (iii)				
Accelerated tax allowances	**(99)**	(278)	**(173)**	(166)
	100,174	60,064	**65,443**	37,503

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

9. DEFERRED TAXATION *(continued)*

(b) *(continued)*

Notes:–

(i) The Group

Deductible temporary differences have not been recognised in these consolidated financial statements owing to the absence of objective evidence in respect of availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences. Included in unrecognised tax losses are losses of HK$24,853,000 (2012: HK$11,446,000) that will expire within five years from the date of incurrence. Other losses can be carried forward indefinitely.

(ii) The Company

Deductible temporary difference has not been recognised in these consolidated financial statements owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences. All unutilised tax losses can be carried forward indefinitely.

(iii) The Group and the Company

Taxable temporary differences have not been recognised in these consolidated financial statements owing to its immateriality.

10. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated (loss)/profit attributable to shareholders of the Company includes a loss of HK$31,991,000 (2012: HK$19,231,000) which has been dealt with in the financial statements of the Company.

11. DIVIDEND

Dividend payable to shareholders of the Company attributable to the previous financial year, approved and paid during the year:–

	2013 **HK$'000**	2012 HK$'000
No final dividend was approved and paid during the year (2012: HK1.00 cent per share)	—	17,046

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

12. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share for the year is based on the following data:–

	2013 HK$'000	2012 HK$'000
(Loss)/earnings		
(Loss)/earnings for the purposes of basic and diluted (loss)/ earnings per share	**(34,085)**	6,989

	2013	2012
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic (loss)/earnings per share	**1,916,674,474**	1,710,675,060
Effect of dilutive potential ordinary shares:–		
Share options	**160,301**	5,580,560
Weighted average number of shares in issue for the purpose of calculation of diluted (loss)/earnings per share	**1,916,834,775**	1,716,255,620

13. RETIREMENT BENEFIT COSTS

Since 1 December 2000, the Group had joined a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with rules of MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's contribution to such scheme for the year ended 31 December 2013 amounted to HK$265,000 (2012: HK$234,000).

The Company's subsidiaries in the PRC have participated in a central pension scheme. Contributions are made by the subsidiaries to the scheme based on certain percentage of the applicable payroll costs. The Group has no obligation other than the above-mentioned contributions.

The Group's contribution to the state-sponsored retirement plan for the year ended 31 December 2013 amounted to HK$12,892,000 (2012: HK$10,140,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

14. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Properties held under medium-term lease HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Office equipment, computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1.1.2012							
Cost	24,505	1,781	23,332	29,180	296	9,185	88,279
Aggregate depreciation	(1,887)	(281)	(6,208)	(17,405)	(257)	(3,524)	(29,562)
Net book value	22,618	1,500	17,124	11,775	39	5,661	58,717
For the year ended 31.12.2012							
Opening net book value	22,618	1,500	17,124	11,775	39	5,661	58,717
Exchange adjustments	114	8	94	267	—	24	507
Additions	5,568	3	3,615	5,025	547	4,412	19,170
Disposals	—	—	(9)	(1,174)	(22)	(1,384)	(2,589)
Depreciation	(1,263)	(197)	(5,121)	(3,877)	(106)	(1,796)	(12,360)
Closing net book value	27,037	1,314	15,703	12,016	458	6,917	63,445
At 31.12.2012							
Cost	30,196	1,795	26,773	32,766	676	10,389	102,595
Aggregate depreciation	(3,159)	(481)	(11,070)	(20,750)	(218)	(3,472)	(39,150)
Net book value	27,037	1,314	15,703	12,016	458	6,917	63,445
For the year ended 31.12.2013							
Opening net book value	27,037	1,314	15,703	12,016	458	6,917	63,445
Exchange adjustments	653	43	425	1,026	1	183	2,331
Additions	—	143	878	8,317	—	1,423	10,761
Disposals	—	—	—	(4,562)	(3)	(13)	(4,578)
Depreciation	(1,300)	(201)	(5,753)	(8,780)	(120)	(1,917)	(18,071)
Closing net book value	26,390	1,299	11,253	8,017	336	6,593	53,888
At 31.12.2013							
Cost	**30,957**	**1,999**	**28,498**	**35,783**	**651**	**11,946**	**109,834**
Aggregate depreciation	**(4,567)**	**(700)**	**(17,245)**	**(27,766)**	**(315)**	**(5,353)**	**(55,946)**
Net book value	**26,390**	**1,299**	**11,253**	**8,017**	**336**	**6,593**	**53,888**

At 31 December 2013, no property held under medium-term lease was pledged (2012: net book value of HK$17,409,000) to a bank to secure a bank loan granted to the Company (note 27).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) The Company

	Leasehold improvement HK$'000	Office equipment, computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1.1.2012					
Cost	299	125	252	2,519	3,195
Aggregate depreciation	(290)	(94)	(192)	(645)	(1,221)
Net book value	9	31	60	1,874	1,974
For the year ended 31.12.2012					
Opening net book value	9	31	60	1,874	1,974
Additions	1,693	314	456	—	2,463
Disposals	(9)	(5)	(22)	—	(36)
Depreciation	(486)	(54)	(93)	(439)	(1,072)
Closing net book value	1,207	286	401	1,435	3,329
At 31.12.2012					
Cost	1,693	373	541	2,191	4,798
Aggregate depreciation	(486)	(87)	(140)	(756)	(1,469)
Net book value	1,207	286	401	1,435	3,329
For the year ended 31.12.2013					
Opening net book value	1,207	286	401	1,435	3,329
Additions	—	40	—	—	40
Depreciation	(604)	(74)	(107)	(438)	(1,223)
Closing net book value	603	252	294	997	2,146
At 31.12.2013					
Cost	**1,693**	**413**	**541**	**2,191**	**4,838**
Aggregate depreciation	**(1,090)**	**(161)**	**(247)**	**(1,194)**	**(2,692)**
Net book value	**603**	**252**	**294**	**997**	**2,146**

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15. PREPAID LAND LEASE PREMIUM — THE GROUP

The Group's interests in land lease premium represents prepaid operating lease payments and its net book value is analysed as follows:–

	2013	2012
	HK$'000	HK$'000
Outside Hong Kong, held under medium-term lease	**43,555**	43,330
Less: Current portion	**(1,238)**	(1,202)
Non-current portion	**42,317**	42,128
Representing:		
Opening net book value	**43,330**	44,309
Exchange adjustments	**1,448**	242
Amortisation of prepaid land lease premium	**(1,223)**	(1,221)
Closing net book value	**43,555**	43,330

At 31 December 2013, no prepaid land lease premium was pledged (2012: net book value of HK$40,079,000) to a bank to secure a bank loan granted to the Company (note 27).

Notes to the Consolidated Financial Statements

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16. INVESTMENT PROPERTIES — THE GROUP

	HK$'000
At 1.1.2012	120,730
Increase in fair value recognised in the consolidated statement of profit or loss	8,869
Acquisition of a subsidiary — note 34	17,566
Additions	6,153
Exchange adjustments	708
At 31.12.2012 and 1.1,2013	154,026
Increase in fair value recognised in the consolidated statement of profit or loss	6,996
Exchange adjustments	5,252
At 31.12.2013	**166,274**

Notes:–

(a) The Group's properties interest held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. These properties are located at the PRC and held under medium-term lease.

(b) The Group's investment properties were revalued at 31 December 2013. The valuation was carried out by an independent firm of surveyors, BMI Appraisals Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. Management had discussed with the surveyors on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period.

(c) The fair value of the Group's investment properties measured at the end of the reporting period is categorised as Level 3 of fair value hierarchy as defined in HKFRS 13.

(d) Information about Level 3 fair value measurement:–

	Valuation techniques	Unobservable input	Range	Weighted average
Residential properties in PRC	Market comparison approach	Premium (discount) on quality of the buildings	-12% to 4%	-4%
Commercial property in PRC	Market comparison approach	Premium (discount) on quality of the buildings	-6% to 0%	-3%

(e) The fair value of investment properties located at the PRC was determined using market comparison approach by reference to recent sales price of comparable properties on a price per square meter basis, adjusted by quality and location of the Group's investment properties compared to the recent sales. The fair value measurement is negatively correlated to risk-adjusted discount rates.

(f) Fair value adjustment of investment properties is recognised in the line item "Increase in fair value of investment properties" on the face of the consolidated statement of profit or loss.

(g) As at 31 December 2013, no investment property was pledged (2012: HK$130,046,000) to a bank to secure a bank loan granted to the Company (note 27).

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17. INTANGIBLE ASSETS — THE GROUP

	Development cost	Computer software and technology	Domain name	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1.1.2012				
Cost	6,950	6,326	2,682	15,958
Accumulated amortisation	—	(563)	—	(563)
Net book value	6,950	5,763	2,682	15,395
For the year ended 31.12.2012				
Opening net book value	6,950	5,763	2,682	15,395
Additions	1,677	—	—	1,677
Amortisation	—	(637)	—	(637)
Exchange adjustments	37	32	—	69
Closing net book value	8,664	5,158	2,682	16,504
At 31.12.2012				
Cost	8,664	6,360	2,682	17,706
Accumulated amortisation	—	(1,202)	—	(1,202)
Net book value	8,664	5,158	2,682	16,504
For the year ended 31.12.2013				
Opening net book value	8,664	5,158	2,682	16,504
Additions	2,102	4	—	2,106
Amortisation	—	(650)	—	(650)
Exchange adjustments	318	165	—	483
Closing net book value	11,084	4,677	2,682	18,443
At 31.12.2013				
Cost	**11,084**	**6,576**	**2,682**	**20,342**
Accumulated amortisation	**—**	**(1,899)**	**—**	**(1,899)**
Net book value	**11,084**	**4,677**	**2,682**	**18,443**

Notes to the Consolidated Financial Statements

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18. GOODWILL — THE GROUP

	HK$'000
Cost:–	
At 1.1.2012, 31.12.2012, 1.1.2013 and 31.12.2013	**79,893**
Impairment loss:–	
At 1.1.2012, 31.12.2012 and 1.1.2013	23
Impairment loss	3,468
At 31.12.2013	**3,491**
Net book value:–	
At 31.12.2013	**76,402**
At 31.12.2012	79,870

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:–

	2013 HK$'000	2012 HK$'000
Platform payment services	**43,050**	43,050
Internet based remittance services	**33,352**	33,352
Trading of timber	**3,402**	3,402
Others	**89**	89
	79,893	79,893

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For platform payment services and internet based remittance services segments, the recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. A discount factor at a rate of 20.36% was applied in the value in use model. Cash flows beyond the five-year period are extrapolated using the growth rate of 3%.

For trading of timber segment, the recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. A discount factor at a rate of 14.48% was applied in the value in use model. Cash flows beyond the five-year period are extrapolated using nil growth rate.

For others segment, the recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. A discount factor at a rate of 14.27% was applied in the value in use model. Cash flows beyond the five-year period are extrapolated using nil growth rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

19. INTERESTS IN SUBSIDIARIES — THE COMPANY

	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**153,704**	153,704
Amounts due from subsidiaries — note 19(b)	**272,315**	412,825
	426,019	566,529

Notes:–

(a) The details of the principal subsidiaries at 31 December 2013 are as follows:–

Name of company	Place of incorporation/ establishment and operation	Particulars of issued share capital/registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Universal Cyberworks International Limited	British Virgin Islands	2 ordinary shares of US$1 each	100%	—	Investment holding
Universal Enterprise Resources Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Investment holding
Hyle Maestro Wooding (Shanghai) Limited*	People's Republic of China	US$2,380,000	—	100%	Trading of timber and manufacturing of furniture
Universal eCommerce China Limited	People's Republic of China	RMB100,000,000	—	100%	Provision of payment solutions and related services
International Payment Solutions Holdings Limited	Hong Kong	97,860,000 ordinary shares of HK$1 each	—	100%	Investment holding
International Payment Solutions (China) Limited*	People's Republic of China	US$880,000	—	100%	Provision of technical platform services
Universal Technologies (Hong Kong) Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Trading of timber and investment holding
International Payment Solutions (Hong Kong) Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Provision of payment solutions and related services
Universal Enterprise Investment Holdings Limited	Hong Kong	9,306,740 ordinary shares of HK$1 each	—	100%	Investment holding
Universal Investment China Limited*	People's Republic of China	US$5,100,000	—	100%	Investment holding
Shanghai Puluma Trading Limited	People's Republic of China	RMB500,000	—	100%	No operation during the year
Universal ECPAY Limited	People's Republic of China	RMB105,000,000	—	77.5%	Provision of payment solutions and related services
Universal Technologies Investment Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	—	100%	Investment holding
Shanghai Phetion Information Technology Company Limited	People's Republic of China	RMB550,000	—	100%	Provision of technical platform services
Shanghai Zhuofu Technologies Company Limited	People's Republic of China	RMB1,000,000	—	100%	Not yet commenced business
Shanghai Hong Mu Yin Xiang Art Furniture Limited	People's Republic of China	RMB1,000,000	—	100%	Not yet commenced business

* The subsidiaries are registered as Wholly Foreign Owned Enterprises under PRC Laws.

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19. INTERESTS IN SUBSIDIARIES — THE COMPANY *(continued)*

Notes:– *(continued)*

(b) The amounts are interest-free, unsecured and have no fixed terms of repayment.

(c) The following table lists out the information relating to Universal ECPAY Limited, the only subsidiary of the Group which has material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2013	2012
NCI Percentage	**22.50%**	22.50%
	2013 **HK$'000**	2012 HK$'000
Current assets	**525,218**	273,588
Non-current assets	**54,798**	55,057
Current liabilities	**(334,662)**	(131,430)
Net assets	**245,354**	197,215
Carrying amount of NCI	**55,205**	44,373
	For the year ended **31.12.2013** **HK$'000**	For the year ended 31.12.2012 HK$'000
Revenue	**219,653**	139,307
Profit for the year	**40,984**	39,840
Other comprehensive income	**7,155**	840
Total comprehensive income for the year	**48,139**	40,680
Profit allocated to NCI	**9,220**	8,964
Cash flows from/(used in) operating activities	**248,565**	(8,306)
Cash flows used in investing activities	**(6,944)**	(6,352)

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20. INTEREST IN AN ASSOCIATE — THE GROUP

	2013 HK$'000	2012 HK$'000
Share of net assets	**270**	697

Name of company	Place of establishment and business	Particulars of registered capital	Attributable equity interest held by the Company directly	Principal activities
OEC Consultant (Shanghai) Company Limited	People's Republic of China	RMB3,000,000	28.42%	Provision of financial advisory services

OEC Consultant (Shanghai) Company Limited is a strategic business partner of the Group.

The associate is accounted for using the equity method in the consolidated financial statements.

The summarised financial information in respect of OEC Consultant (Shanghai) Company Limited is set out below:–

	2013 HK$'000	2012 HK$'000
Current assets	**1,721**	1,667
Non-current assets	**687**	1,143
Total liabilities	**(1,457)**	(358)
Net assets	**951**	2,452
Group's share of net assets of an associate	**270**	697

	For the year ended 31.12.2013 HK$'000	For the period from 17.9.2012 to 31.12.2012 HK$'000
Revenue	**667**	122
Loss for the year/period	**(1,563)**	(1,475)
Other comprehensive profit/(loss) for the year/period	**61**	(9)
Total comprehensive loss for the year/period	**(1,502)**	(1,484)
Group's share of result of an associate for the year/period	**(444)**	(435)

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21. OTHER INVESTMENT — THE GROUP

At 31 December 2013, other investment of HK$12,683,000 (2012: HK$12,272,000) represented capital injection paid by the Group in connection with the acquisition of 8.63% equity interests of a company incorporated in the PRC. This investment is made through a trust arrangement and paid through a company which is controlled by a key personnel management of the Group. At the date of transaction, the key personnel management had no relationship with the Group. Additional capital will be injected and details are disclosed in note 36(b)(i) to the consolidated financial statements.

22. INVENTORIES — THE GROUP

	2013	2012
	HK$'000	HK$'000
Raw materials	**3,894**	3,729
Work in progress	**9,995**	13,821
Finished goods	**24,459**	24,483
Less: write-down of inventories	**(1,635)**	—
	36,713	42,033

23. DEBTORS — THE GROUP

	2013	2012
	HK$'000	HK$'000
Trade debtors	**129,730**	87,099
Less: impairment loss — note (iii)	**(1,727)**	—
	128,003	87,099

Notes to the Consolidated Financial Statements

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23. DEBTORS — THE GROUP *(continued)*

Notes:–

(i) Apart from payment solutions business, the credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with debtors, credit evaluations of customers are performed periodically. For payment solutions business, as the Group is playing the role as an agent on behalf of the merchants for collection of payments, there is no significant credit risk (note 28).

(ii) An aging analysis of debtors is set out below:–

	2013 **HK$'000**	2012 HK$'000
0–6 months	**82,142**	41,153
7–12 months	**—**	688
1–2 years	**100**	45,123
Over two years	**45,761**	135
	128,003	87,099
Neither past due nor impaired	**82,142**	41,153
Past due but not impaired	**45,861**	45,946
	128,003	87,099

Debtors that were neither past due nor impaired relate to tenants and a wide range of customers for timber trading and furniture manufacturing business and service providers of payment solutions business for whom there were no recent history of default.

Debtors that were past due but not impaired included an amount of HK$66,000 (2012: HK$135,000) which was related to a number of independent customer of timber trading and furniture manufacturing business which have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Debtors that were past due but not impaired also included an amount of HK$45,795,000 (2012: HK$45,811,000) which was related to a service provider of payment solutions business. As the Group was playing the role as an agent on behalf of the merchants for collection of payments, thus no impairment allowance was necessary in respect of this balance.

(iii) The movement in the impairment loss on debtors during the year is as follows:–

	2013 **HK$'000**	2012 HK$'000
At 1 January	**—**	—
Impairment loss recognised	**1,704**	—
Exchange difference	**23**	—
At 31 December	**1,727**	—

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24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Utilities and deposits	**2,347**	2,296	**873**	873
Prepayments	**22,560**	18,614	**394**	312
Secured loans receivable — note (i)	**693**	31,204	**—**	—
Unsecured loans receivable — note (ii)	**7,356**	4,909	**—**	—
Other receivables	**8,727**	23,029	**294**	285
	41,683	80,052	**1,561**	1,470
Less: impairment loss on other receivables — note (iii)	**(6,705)**	(693)	**—**	—
	34,978	79,359	**1,561**	1,470
Less: non-current portion — note (ii)	**(4,566)**	—	**—**	—
Current portion	**30,412**	79,359	**1,561**	1,470

Notes:–

(i) Secured loans receivable are interest-bearing at 0.8% per month and repayable within one year. The secured loan receivable of HK$693,000 was fully impaired in 2012 (2012: The amounts were interest-bearing at 0.5% – 0.8% per month or 7% per quarter and repayable within one year).

(ii) All unsecured loans receivable are interest-free. Except for an amount of HK$4,566,000 (2012: HK$Nil) which is repayable after one year, the remaining balance is repayable within one year.

(iii) The movement in the impairment loss on other receivables during the year is as follows:–

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**693**	—	**—**	—
Impairment loss recognised	**5,931**	693	**—**	—
Exchange difference	**81**	—	**—**	—
At 31 December	**6,705**	693	**—**	—

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

	2013	2012
	HK$'000	HK$'000
Listed securities:–		
Equity securities — Hong Kong	**—**	5,166
Equity securities — PRC	**1,794**	4,891
Market value of listed securities	**1,794**	10,057

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26. PLEDGED TIME DEPOSITS AND CASH AND BANK BALANCES — THE GROUP

No time deposits were pledged (2012: HK$115,357,000) to a bank to secure a bank loan granted to the Company (note 27). The pledged time deposits were released upon repayment of bank loan during the year ended 31 December 2013.

At 31 December 2013, pledged time deposits and cash and bank balances of the Group denominated in Renminbi amounted to HK$480,618,000 (2012: HK$417,479,000). Renminbi is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

27. BANK LOAN, SECURED

	The Group and the Company	
	2013	2012
	HK$'000	HK$'000
Due for payment:		
Within one year	**—**	217,765

The secured bank loan was fully repaid during the year. In 2012, the secured bank loan was interest-bearing at 2.5% plus Hong Kong Interbank Offered Rate per annum, repayable within one year, denominated in Hong Kong dollar and secured by (i) property held under medium-term lease with a net book value of HK$17,409,000 (note 14(a)); (ii) prepaid land lease premium with a net book value of HK$40,079,000 (note 15); (iii) investment properties with a net book value of HK$130,046,000 (note 16); and (iv) time deposits of HK$115,357,000 (note 26).

28. PAYABLE TO MERCHANTS — THE GROUP

An aging analysis of payable to merchants is set out below:–

	2013	2012
	HK$'000	HK$'000
0–12 months	**307,686**	191,634
Over one year	**56,503**	56,245
	364,189	247,879

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29. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits received and receipts in advance	**61,990**	44,665	**—**	—
Accruals	**17,998**	9,308	**1,358**	1,940
Sundry creditors	**20,028**	13,195	**1,828**	1,828
	100,016	67,168	**3,186**	3,768

30. AMOUNTS DUE TO SUBSIDIARIES — THE COMPANY

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

31. SHARE CAPITAL

	Note	The Group and the Company	
		Number of shares	**HK$'000**
(a) Share capital			
Ordinary share of HK$0.01 each			
Authorised:–			
At 1 January 2012, 31 December 2012 and 31 December 2013		**5,000,000,000**	**50,000**
Issued and fully paid:–			
At 1 January 2012		1,702,508,858	17,025
Shares issued under share option schemes	(i)	42,700,000	427
Repurchased of own shares	(ii)	(5,630,000)	(56)
At 31 December 2012 and 1 January 2013		1,739,578,858	17,396
Shares issued under share option scheme	(iii)	138,870,000	1,389
Shares issued under placing	(iv)	192,000,000	1,920
At 31 December 2013		**2,070,448,858**	**20,705**

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31. SHARE CAPITAL *(continued)*

Notes:-

(i) During the year ended 31 December 2012, 42,700,000 share options were exercised by the eligible option holders, resulting in the issue of 42,700,000 shares of HK$0.01 each of the Company at a total consideration of HK$15,558,000.

(ii) During the year ended 31 December 2012, the Company repurchased its own shares on the Stock Exchange as follows:-

Month/year	**Number of shares repurchased**	**Highest price paid per share** HK$	**Lowest price paid per share** HK$	**Aggregate price paid** HK$'000
January 2012	3,880,000	0.475	0.460	1,812

During the year ended 31 December 2012, a total of 3,880,000 shares were repurchased at an aggregate price paid of HK$1,812,000.

During the year ended 31 December 2011, a total of 27,670,000 shares were repurchased but only 25,920,000 repurchased shares were cancelled. The remaining 1,750,000 repurchased shares with an aggregate price paid of HK$810,000 were cancelled on 17 February 2012.

The 3,880,000 repurchased shares and the 1,750,000 shares repurchased in 2011 were cancelled in 2012 and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to Section 37(4) of the Companies Law (2004 Revision) of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK$56,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares in 2012 and 2011 of HK$1,773,000 and HK$793,000 respectively were charged to the share premium account.

(iii) During the year ended 31 December 2013, 138,870,000 share options were exercised by the eligible option holders, resulting in the issue of 138,870,000 shares of HK$0.01 each of the Company at a total consideration of HK$77,337,000.

(iv) On 23 July 2013, a total of 192,000,000 new shares of the Company were issued at a placing price of HK$0.58 each to not less than six placees. The related transaction costs amounting to HK$2,784,000 have been netted off with the proceeds and debited to the share premium account of the Company.

(b) Capital management

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

The Group's equity capital management strategy was to maintain a reasonable proportion in total liabilities and total assets. The Group monitors equity capital on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratios at 31 December 2013 and at 31 December 2012 were as follows:–

	2013 **HK$'000**	2012 HK$'000
Total liabilities	**474,616**	536,285
Total assets	**1,166,235**	1,046,400
Gearing ratio	**40.70%**	51.25%

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32. SHARE OPTIONS

(a) GEM Share Option Schemes

The Company operates three share option schemes (including one Share Option Scheme and two Pre-IPO Share Option Schemes) adopted on 12 October 2001 ("GEM Share Options Schemes") under which the Board of Directors (the "Board") are authorised, at their discretion, to invite employees of the Group, including Directors of any company in the Group, and other eligible persons, to take up options to subscribe for shares of the Company.

For the two Pre-IPO Share Option Schemes, the exercise prices were determined by the Board to be HK$0.010 and HK$0.084 respectively. The exercise price of the Share Option Scheme (other than the Pre-IPO Share Option Schemes) shall be determined by the Board in its absolute discretion, but in any event shall not be less than the higher of (i) the closing price per share on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average of the closing prices per share on GEM as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option.

None of the options granted under the Pre-IPO Share Option Schemes can be exercised during the first six months after 26 October 2001 (the "Listing Date"). The period within which the shares must be taken up under the Pre-IPO Share Option Schemes must be within a period of ten years commencing on the expiry of six months after the Listing Date and expiring on the last day of such ten-year period.

The vesting period and exercisable period of the Share Option Scheme (other than the Pre-IPO Share Option Schemes) are determined by the Board but in any case no option can be exercised later than ten years from the date of grant.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(i) A summary of the movements of share options granted under the GEM Share Option Schemes during each of the two years ended 31 December 2013 is as follows:–

			Number of share options			
Date of grant	Exercise period	Exercise price	Outstanding at 1 January 2012	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2012, 1 January 2013 and 31 December 2013
7 February 2002	7 February 2002 to 6 February 2012	HK$1.300	200,000	—	(200,000)	—
9 April 2002	9 April 2002 to 8 April 2012	HK$1.400	50,000	—	(50,000)	—
9 April 2010	9 April 2010 to 8 April 2012	HK$0.390	6,200,000	(6,200,000)	—	—
			6,450,000	(6,200,000)	(250,000)	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

32. SHARE OPTIONS *(continued)*

(a) GEM Share Option Schemes *(continued)*

(ii) The number and weighted average of exercise prices of share options are as follows:–

	2013		2012	
	Weighted average of exercise price HK$	**Number of options**	Weighted average of exercise price HK$	Number of options
Outstanding at the beginning of the year	—	—	0.435	6,450,000
Exercised during the year	—	—	0.390	(6,200,000)
Lapsed during year	—	—	1.320	(250,000)
Outstanding at the end of year	—	—	—	—
Exercisable at the end of year	—	—	—	—

The weighted average share price at the dates of exercise for the share options exercised during the year was HK$Nil (2012: HK$0.416).

(iii) No option under the GEM Share Option Schemes was granted during the year ended 31 December 2013 and 31 December 2012.

(b) New Share Option Scheme

Pursuant to the Company transferred the listing of its share from GEM to the Main Board of the Stock Exchange on 22 June 2010, the Company adopted a new share option scheme which is compliance with the Listing Rules at the Company's extraordinary general meeting held on 12 August 2010 ("New Share Option Scheme"). The GEM Share Option Schemes have been terminated and no further options under such schemes have been granted thereunder upon the adoption of the New Share Option Scheme. The outstanding options granted under the GEM Share Option Schemes shall continue to be subject to the provision of the GEM Share Option Schemes.

The purpose of the New Share Option Scheme is to enable the Company to grant options to participants an incentive or rewards for their contributions to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

32. SHARE OPTIONS *(continued)*

(b) New Share Option Scheme *(continued)*

The New Share Option Scheme was adopted for a period of ten years commencing from 12 August 2010 and will remain in force until 11 August 2020, after which period no further options will be offered or granted but the provisions of the scheme shall remain in full force and effect in all other respects with regard to options granted during the life of the scheme.

The subscription price of the New Share Option Scheme shall be determined by the Board in its absolute discretion, but in any event shall not be less than the higher of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.

(i) A summary of the movements of share options granted under the New Share Option Scheme during each of the two years ended 31 December 2013 is as follows:–

			Number of share options							
Date of grant	Exercise period	Exercise price	Outstanding at 1 January 2012	Exercised during the year	Lapsed during the year	Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2013
31 August 2010	31 August 2010 to 31 August 2013	HK$0.360	39,850,000	(36,500,000)	(200,000)	3,150,000	—	(2,150,000)	(1,000,000)	—
19 May 2011	19 May 2011 to 18 May 2013	HK$0.560	138,120,000	—	(250,000)	137,870,000	—	(136,720,000)	(1,150,000)	—
25 November 2013	25 November 2013 to 11 August 2020	HK$0.465	—	—	—	—	120,000,000	—	—	120,000,000
			177,970,000	(36,500,000)	(450,000)	141,020,000	120,000,000	(138,870,000)	(2,150,000)	120,000,000

(ii) The number and weighted average of exercise prices of share options are as follows:–

	2013		2012	
	Weighted average of exercise price HK$	**Number of options**	Weighted average of exercise price HK$	Number of options
Outstanding at the beginning of the year	**0.555**	**141,020,000**	0.515	177,970,000
Granted during the year	**0.465**	**120,000,000**	—	—
Exercised during the year	**0.557**	**(138,870,000)**	0.360	(36,500,000)
Lapsed during the year	**0.467**	**(2,150,000)**	0.471	(450,000)
Outstanding at the end of year	**0.465**	**120,000,000**	0.555	141,020,000
Exercisable at the end of year	**0.465**	**120,000,000**	0.555	141,020,000

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For the year ended 31 December 2013

32. SHARE OPTIONS *(continued)*

(b) New Share Option Scheme *(continued)*

(ii) *(continued)*

The weighted average share price at the dates of exercise for the share options exercised during the year was HK$0.588 (2012: HK$0.463).

The options outstanding at 31 December 2013 had an exercise price of HK$0.465 (2012: HK$0.360 or HK$0.560) and a weighted average remaining contractual life of 6.6 years (2012: 0.6 year).

(iii) Fair value of share options granted

120,000,000 share options under the New Share Option Scheme were granted during the year ended 31 December 2013.

Fair value of share options granted during the year ended 31 December 2013 was as follows:–

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on Binomial Option Pricing Model.

Fair value at measurement date	HK$0.03997
Share price	HK$0.460
Exercise price	HK$0.465
Expected volatility	65.89%
Expected dividend yield	1.41%
Risk-free interest rate	1.44%

The expected volatility is based on the historic volatility (calculated based on the expected life of the share options), adjusted for any expected changes to future volatility due to public available information. Expected dividends are based on historical dividends. Changes in subjective input assumptions could materially affect the fair value estimate. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants. However, the management has taken into consideration of historical staff turnover pattern for the estimation of expected option life.

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33. RESERVES

(a) The Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Treasury shares reserve HK$'000	Capital reserve HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	Share options reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1.1.2012	288,926	425	(810)	1,093	10,754	5,196	6,191	9,753	137	78,416	400,081
Transferred to retained profits	—	—	—	—	—	—	(16)	—	—	16	—
Shares issued under share option schemes	16,750	—	—	—	—	—	(1,619)	—	—	—	15,131
Dividend paid	—	—	—	—	—	—	—	—	—	(17,046)	(17,046)
Repurchased of own shares	(2,566)	56	810	—	—	—	—	—	—	(56)	(1,756)
Change in ownership interests in a subsidiary that do not result in a loss of control	—	—	—	—	—	—	—	—	28,270	—	28,270
Total comprehensive income for the year	—	—	—	—	—	1,520	—	—	—	6,989	8,509
Transferred to statutory reserve	—	—	—	—	—	—	—	6,255	—	(6,255)	—
At 31.12.2012 and 1.1.2013	303,110	481	—	1,093	10,754	6,716	4,556	16,008	28,407	62,064	433,189
Equity settled share-based transactions	—	—	—	—	—	—	4,796	—	—	—	4,796
Transferred to retained profits	—	—	—	—	—	—	(76)	—	—	76	—
Shares issued under share option scheme	80,428	—	—	—	—	—	(4,480)	—	—	—	75,948
Shares issued under placing	106,656	—	—	—	—	—	—	—	—	—	106,656
Total comprehensive income/(loss) for the year	—	—	—	—	—	11,855	—	—	—	(34,085)	(22,230)
Transferred to statutory reserve	—	—	—	—	—	—	—	5,895	—	(5,895)	—
At 31.12.2013	**490,194**	**481**	**—**	**1,093**	**10,754**	**18,571**	**4,796**	**21,903**	**28,407**	**22,160**	**598,359**

Notes:–

(i) The special reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the share capital of a subsidiary acquired pursuant to the reorganisation completed in 2001.

(ii) The subsidiary established in the PRC was required by PRC Company Law to appropriate 10% of its statutory after-tax profit to a statutory reserve fund until the balance of the fund reached 50% of share capital and thereafter any further appropriation was optional. The statutory reserve fund could be utilised to offset prior years' losses or to increase share capital on the condition that the statutory reserve fund must be maintained at a maximum of 25% of the share capital after such issuance. During the year, the Board of Directors of the subsidiary resolved to appropriate HK$5,895,000 (2012: HK$6,255,000) from retained profits to statutory reserve fund.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

33. RESERVES *(continued)*

(b) The Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1.1.2012	296,490	425	6,191	18,150	321,256
Transferred to retained profits	—	—	(16)	16	—
Shares issued under share option schemes	16,750	—	(1,619)	—	15,131
Dividend paid	—	—	—	(17,046)	(17,046)
Repurchased of own shares	(2,566)	56	—	(56)	(2,566)
Total comprehensive loss for the year	—	—	—	(19,231)	(19,231)
At 31.12.2012 and 1.1.2013	310,674	481	4,556	(18,167)	297,544
Equity settled share-based transactions	—	—	4,796	—	4,796
Transferred to retained profits	—	—	(76)	76	—
Shares issued under share option scheme	80,428	—	(4,480)	—	75,948
Share issued under placing	106,656	—	—	—	106,656
Total comprehensive loss for the year	—	—	—	(31,991)	(31,991)
At 31.12.2013	**497,758**	**481**	**4,796**	**(50,082)**	**452,953**

Notes:–

(i) The share premium of the Company includes (i) shares issued at premium and (ii) the difference between the nominal value of the ordinary shares issued by the Company and the net asset values of the subsidiaries at the date they were acquired through an exchange of shares pursuant to the reorganisation completed in 2001. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.

(iii) At 31 December 2013, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to HK$447,676,000 (2012: HK$292,507,000) subject to the restrictions as stated above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

34. ACQUISITION OF A SUBSIDIARY

On 30 August 2012, the Group acquired the entire 100% equity interests in Shanghai Zhuofu Technologies Company Limited, a company incorporated in the PRC, at a cash consideration of HK$927,000.

The fair value of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition is as follows:–

	HK$'000
Net assets acquired:–	
Investment property	17,566
Other receivables	1,224
Cash and bank balances	201
Other payables and accruals	(17,855)
	1,136
Gain on bargain purchase	(209)
Purchase consideration satisfied by cash	927
Cash and cash equivalents acquired	201
Cash consideration paid	(927)
Net cash outflow arising on acquisition	(726)

The Group recognised a gain on bargain purchase of HK$209,000 because the fair value of net assets acquired exceeded the purchase consideration.

The newly acquired business did not contribute any turnover to the Group and contributed a profit of HK$127,000 to the Group for the period between the date of acquisition and the end of reporting period.

If the acquisition had been completed on 1 January 2012, total Group's turnover for the period would have been HK$126,719,000, and profit for the year would have been HK$14,064,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012 nor is intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

35. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Disposal of interests in a subsidiary without loss of control

On 17 September 2012, the Group disposed of 7.5% equity interests in a subsidiary at a consideration of RMB36,750,000 (equivalent to HK$45,011,000). The carrying amount of the non-controlling interests in this subsidiary on the date of disposal was HK$13,542,000. The Group recognised an increase in non-controlling interests of HK$13,542,000 and in equity attributable to shareholders of the Company of HK$28,270,000. The effect of changes in the ownership interests of this subsidiary on the equity attributable to shareholders of the Company during the year is summarised as follows:–

	HK$'000
Carrying amount of non-controlling interests disposed of	**(13,542)**
Consideration received from non-controlling interests	**45,011**
Income tax effect	**(3,199)**
Changes recognised on disposal within equity	**28,270**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

36. COMMITMENTS

(a) Operating lease arrangements

(i) The Group

As lessor

At 31 December 2013, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:–

	2013 **HK$'000**	2012 HK$'000
Within one year	**1,908**	2,378
After one year but within five years	**7,466**	6,120
Over five years	**3,191**	4,964
	12,565	13,462

The Group leases its investment properties under operating leases. The leases were negotiated for terms ranging from one to ten years.

As lessee

At 31 December 2013, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:–

	2013 **HK$'000**	2012 HK$'000
Within one year	**7,041**	8,304
After one year but within five years	**3,779**	9,632
	10,820	17,936

Operating lease payments represent rentals payable by the Group for the use of servers and office premises. Leases are negotiated for a term ranging from one to five years with fixed monthly rentals.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

36. COMMITMENTS *(continued)*

(a) Operating lease arrangements *(continued)*

(ii) The Company

As lessee

At 31 December 2013, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating lease which falls due as follows:–

	2013	2012
	HK$'000	HK$'000
Within one year	**2,391**	2,392
After one year but within five years	**—**	2,391
	2,391	4,783

Operating lease payments represent rentals payable by the Company for the use of office premises. Leases are negotiated for a term of three years with fixed monthly rentals.

(b) Capital commitments

(i) The Group

Capital expenditure contracted but not provided for is as follows:–

	2013	2012
	HK$'000	HK$'000
Acquisition of property, plant and equipment	**—**	784
Investment — note	**12,683**	12,272

Note:–

On 28 March 2012, a wholly-owned subsidiary of the Company entered into an agreement to acquire 8.63% equity interests of a company incorporated in the PRC at a total consideration of RMB20,000,000 (equivalent to HK$24,544,000). At 31 December 2013, RMB10,000,000 (equivalent to HK$12,683,000) was paid and the remaining RMB10,000,000 (equivalent to HK$12,683,000) was contracted for but not yet paid.

(ii) The Company

At 31 December 2013, the Company had no capital commitment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

37. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

The Group's policy is to prudently manage daily operations and invest surplus funds managed by the Group in a manner which satisfy liquidity requirements, safeguard financial assets, manage risks while optimising the returns.

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

(a) Credit risk

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

In respect of debtors arising from trading business, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and obtaining information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors are due with 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group was not exposed to significant credit risk from debtors arising from online platform as the transactions of which are made in cash or via reliable major credit cards by limiting the amount of credit exposure to these financial institutions and the merchants. In addition, the Group is playing the role as an agent on behalf of the merchants for collection of payment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

37. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(a) Credit risk *(continued)*

The Group

Carrying amounts of financial assets at 31 December 2013, which represented the amounts of maximum exposure to credit risk, were as follows:–

	2013	2012
	HK$'000	HK$'000
Debtors	**128,003**	87,099
Deposits and other receivables	**12,418**	60,745
Pledged time deposits	**—**	115,357
Cash and bank balances	**592,079**	341,535
	732,500	604,736

The Directors are satisfied with the credit quality of financial assets.

The Company

	2013	2012
	HK$'000	HK$'000
Amounts due from subsidiaries	**272,315**	412,825
Deposits and other receivables	**1,168**	1,158
Cash and bank balances	**95,970**	2,044
	369,453	416,027

The Directors are satisfied with the credit quality of amounts due from subsidiaries since the subsidiaries are financially healthy. Overall, the Directors are satisfied with the credit quality of financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

37. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the gearing ratio.

The Group

Maturities of the non-derivative financial liabilities of the Group at 31 December 2013 were as follows:–

	2013 HK$'000	2012 HK$'000
Total amounts of contractual undiscounted obligations:–		
Bank overdraft, unsecured	**4,241**	—
Bank loan, secured	**—**	217,765
Payable to merchants	**364,189**	247,879
Sundry creditors and accruals	**67,033**	48,492
	435,463	514,136
Due for payment:–		
Within one year or on demand	**435,463**	514,136

The Company

Maturities of the non-derivative financial liabilities of the Company at 31 December 2013 were as follows:–

	2013 HK$'000	2012 HK$'000
Total amounts of contractual undiscounted obligations:		
Bank loan, secured	**—**	217,765
Sundry creditors and accruals	**3,186**	3,768
Amounts due to subsidiaries	**48,852**	36,899
	52,038	258,432
Financial guarantee issued:–		
Maximum amount guarantee — note 39	**6,000**	6,000
	58,038	264,432
Due for payment:–		
Within one year or on demand	**58,038**	264,432

Notes to the Consolidated Financial Statements

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37. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Carrying amounts of financial assets and financial liabilities at 31 December 2013 exposed to currency risk were as follows:–

The Group

	2013	2012
	HK$'000	HK$'000
Financial assets denominated in foreign currencies:–		
Debtors	**46,693**	45,820
Deposits and other receivables	**133**	133
Cash and bank balances	**1,365**	24,964
	48,191	70,917
Financial liabilities denominated in foreign currencies:–		
Payable to merchants	**53,619**	54,013
Sundry creditors and accruals	**4,656**	2,565
	58,275	56,578
Net financial (liabilities)/assets exposed to currency risk	**(10,084)**	14,339

The Group's net financial (liabilities)/assets exposed to currency risk were primarily denominated in the following currencies:–

	2013	2012
	HK$'000	HK$'000
Singapore dollars	**101**	101
United States dollars	**(5,561)**	16,760
Renminbi	**(4,624)**	(2,522)
	(10,084)	14,339

Notes to the Consolidated Financial Statements

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37. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(c) Currency risk *(continued)*

The Group *(continued)*

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from Renminbi, primarily with respect to the Hong Kong dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. At present, the Group does not intend to seek to hedge its exposure to foreign exchange risk profile as there were insignificant fluctuation in exchange rate between Hong Kong dollars and Renminbi.

Since Hong Kong dollars is pegged to United States dollars, material fluctuations in the exchange rates of Hong Kong dollars against United States dollars are remote.

Should Hong Kong dollars at 31 December 2013 devalue by 10% against Renminbi and Singapore dollars, the carrying amount of the net financial liabilities (2012: assets) of the Group exposed to currency risk at 31 December 2013 determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would be increased (2012: decreased), and hence the equity at 31 December 2013 would be decreased by HK$452,000 (2012: HK$242,000); and loss (2012: profit) for the year ended 31 December 2013 would be increased by HK$452,000 (2012: decreased by HK$242,000).

The Company

	2013 **HK$'000**	2012 HK$'000
Financial asset denominated in foreign currencies:–		
Cash and bank balances	**19**	42
Net financial asset exposed to currency risk	**19**	42
The Company's net financial asset exposed to currency risk were primarily denominated in the following currencies:–		
Renminbi	**19**	42
	19	42

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For the year ended 31 December 2013

37. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(c) Currency risk *(continued)*

The Company *(continued)*

Should Hong Kong dollars at 31 December 2013 devalue by 10% against Renminbi, the carrying amount of the net financial assets of the Company exposed to currency risk at 31 December 2013 determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would be increased, and hence the equity at 31 December 2013 would be increased by HK$2,000 (2012: HK$4,000); and the loss for the year ended 31 December 2013 would be decreased by HK$2,000 (2012: HK$4,000).

(d) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices. The Group manages market prices risk, when it is considered significant, by entering into appropriate derivatives contracts.

The Group is exposed to equity price risk arising from equity investments classified as financial assets at fair value through profit or loss (note 25). The Group is not exposed to commodity price risk.

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If equity price had been 10% higher/lower, post-tax loss (2012: profit) for the year ended 31 December 2013 would be decreased/increased by HK$179,000 (2012: increased/decreased by HK$1,006,000); and hence the equity at 31 December 2013 would be increased/decreased by HK$179,000 (2012: HK$1,006,000) as a result of the change in fair value of equity investments.

All investments are subject to a maximum concentration limit predetermined by the Board.

The Company has no significant exposure to market price risk.

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises from its bank balances, unsecured bank overdraft and secured bank loan. The bank balances bear interest at rates varied with the then prevailing market condition. If the market interest rate at 31 December 2013 had been 10 basis point lower or higher with all other variables held constant, there would be no significant change to the loss (2012: profit) for the year.

37. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(f) Fair values

(i) Financial instruments carried at fair value

For financial instruments carried at fair value, the amendments to HKFRS 7 "Financial Instruments: Disclosures", require disclosures relating to fair value measurements of financial instruments across three levels of a "fair value hierarchy". The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:–

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair value measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31 December 2013, the only financial instruments of the Group carried at fair value were financial assets at fair value through profit or loss of HK$1,794,000 (2012: HK$10,057,000) listed on the Stock Exchange and Shanghai Stock Exchange (see note 25). These instruments fall into Level 1 of the fair value hierarchy described above.

During the year ended 31 December 2013, there were no significant transfers between financial level instruments in level 1 and level 2.

(ii) Fair value of financial instruments 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 were not materially different from their fair values as at 31 December 2013 and 2012.

38. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) On 8 June 2012, the Group disposed of 7.5% equity interests in a subsidiary to Beihai Shiji Information Technology Co., Ltd. ("Beihai Shiji") at a consideration of RMB36,750,000 (equivalent to HK$45,011,000). Beihai Shiji is a connected person of the Company by virtue of its 15% existing equity interests in a subsidiary, which is an indirect non-wholly owned subsidiary of the Company. The disposal was completed on 17 September 2012.

(b) Apart from the transaction as disclosed in note 21 to the financial statements, the Group had no other material transaction with its related party during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

38. CONNECTED AND RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management compensation

	2013 **HK$'000**	2012 HK$'000
Fees for key management personnel	**598**	309
Salaries, allowances and other benefits in kind	**10,832**	6,607
Pension scheme contributions	**495**	320
Equity settled share-based payment expenses	**3,997**	—
	15,922	7,236

39. BANKING FACILITIES

At 31 December 2013, the Group's banking facilities to the extent of HK$4,286,000 were secured by corporate guarantee limited to HK$6,000,000 executed by the Company and guarantee limited to HK$4,286,000 executed by the Government of Hong Kong Special Administrative Region. Such banking facilities were utilised by the Group to the extent of HK$4,241,000.

At 31 December 2012, the Group's banking facilities to the extent of HK$229,100,000 were secured by:–

(a) properties held under medium-term lease (note 14(a));

(b) prepaid land lease premium (note 15);

(c) investment properties held under medium-term lease (note 16);

(d) corporate guarantee limited to HK$6,000,000 executed by the Company;

(e) time deposits (note 26); and

(f) guarantee limited to HK$4,800,000 executed by the Government of Hong Kong Special Administrative Region.

At 31 December 2012, such banking facilities were utilised by the Group to the extent of HK$217,765,000.

40. CONTINGENT LIABILITIES

At 31 December 2013, the Group and the Company had no contingent liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

41. SEGMENT REPORTING

The chief operating decision-maker has been identified as the key management. This key management reviews the Group's internal reporting in order to assess performance and allocate resources.

The Group has presented the following four reportable segments.

(a) Payment solutions

This segment primarily derives its revenue from the provision of payment solutions and ongoing technical support services to customers in the PRC, Hong Kong and overseas. Currently the Group's activities in this regard are carried out in the PRC, Hong Kong and overseas.

(b) Timber trading and furniture manufacturing

This segment engaged in trading of timber and manufacturing of furniture to customers in the PRC. Currently the Group's activities in this regard are carried out in the PRC.

(c) System integration and technical platform services

This segment engaged in provision of system integration and technical platform services to customers in the PRC. Currently the Group's activities in this regard are carried out in the PRC.

(d) Industry park

This segment engaged in development and management of e-commerce, financial and resources industry parks where enterprise cluster of the same industry chain are integrated. The services for enterprise in industry parks include property leasing, property sales, facilities maintenance, processing efficiency improvement and management related consulting, supporting and outsourcing. Currently the Group's activities in this regard are carried out in the PRC.

Others include supporting units of Hong Kong operation and the net result of other subsidiaries in Hong Kong and the PRC. These operating segments have not been aggregated to form a reportable segment.

The key management assesses the performance of the segments based on the results, assets and liabilities attributable to each reportable segment on the following basis:–

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

Segment assets and liabilities excluded financial assets at fair value through profit or loss, secured bank loan, deferred tax liability and other corporate assets and liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

41. SEGMENT REPORTING *(continued)*

The measure used for reporting segment profit is "adjusted EBIT", i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as including investment income. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments such as share of results of an associate.

(a) Segments results, assets and liabilities

The following tables present the information for the Group's reporting segments:–

	Payment solutions		Timber trading and furniture manufacturing		System integration and technical platform services		Industry park		Others		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment revenue												
Revenue from external customers	**151,618**	103,888	**35,216**	18,631	**—**	—	**3,013**	4,200	**—**	—	**189,847**	126,719
Other revenue	**12,571**	18,225	**397**	1,075	**2,044**	2,955	**394**	4,855	**322**	1,834	**15,728**	28,944
Total revenue	**164,189**	122,113	**35,613**	19,706	**2,044**	2,955	**3,407**	9,055	**322**	1,834	**205,575**	155,663
Reportable segment profit/(loss)	**35,090**	26,581	**(9,801)**	(1,600)	**(7,190)**	(4,272)	**(8,855)**	(8,465)	**(30,181)**	(19,877)	**(20,937)**	(7,633)
Interest on bank deposits											**8,092**	10,235
Other interest income											**72**	4,594
Government subsidy											**7,539**	13,271
Dividend income											**25**	279
(Loss)/profit from operations											**(5,209)**	20,746
Gain on bargain purchase											**—**	209
Increase in fair value of investment properties											**6,996**	8,869
Impairment loss on goodwill	**—**	—	**(3,402)**	—	**—**	—	**—**	—	**(66)**	—	**(3,468)**	—
Impairment loss on debtors	**(1,630)**	—	**(74)**	—	**—**	—	**—**	—	**—**	—	**(1,704)**	—
Impairment loss on other receivables											**(5,931)**	(693)
Share of results of an associate											**(444)**	(435)
Finance costs											**(4,586)**	(11,528)
(Loss)/profit before income tax											**(14,346)**	17,168
Income tax expense											**(10,519)**	(3,022)
(Loss)/profit for the year											**(24,865)**	14,146
Attributable to :												
— Shareholders of the Company											**(34,085)**	6,989
— Non-controlling interests											**9,220**	7,157
											(24,865)	14,146

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

41. SEGMENT REPORTING *(continued)*

(a) Segments results, assets and liabilities *(continued)*

	Payment solutions		Timber trading and furniture manufacturing		System integration and technical platform services		Industry park		Others		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Depreciation for the year	**11,791**	6,775	**886**	403	**293**	200	**3,827**	3,857	**1,274**	1,125	**18,071**	12,360
Amortisation	**746**	751	**—**	—	**—**	—	**1,017**	997	**110**	110	**1,873**	1,858
Capital expenditure incurred during the year	**10,986**	14,694	**1,677**	8,172	**152**	1,385	**12**	259	**40**	2,490	**12,867**	27,000
Reportable segment assets	**684,458**	521,148	**65,201**	67,022	**24,035**	31,534	**242,094**	350,618	**147,230**	64,508	**1,163,018**	1,034,830
Unallocated assets											**3,217**	11,570
Total assets											**1,166,235**	1,046,400
Reportable segment liabilities	**420,165**	281,626	**34,493**	20,062	**371**	248	**2,816**	3,510	**8,063**	6,572	**465,908**	312,018
Unallocated liabilities											**26,058**	239,339
Total liabilities											**491,966**	551,357

There was no revenue arising from transactions with any customers which was individually more than 10 percent of the Group's revenue in both years.

(b) Geographical information

	PRC		Hong Kong/overseas		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**186,931**	121,957	**2,916**	4,762	**189,847**	126,719
Other revenue	**15,382**	27,081	**346**	1,863	**15,728**	28,944
Total revenue	**202,313**	149,038	**3,262**	6,625	**205,575**	155,663
Non-current assets	**362,981**	308,942	**11,862**	60,000	**374,843**	368,942

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, investment properties and prepaid land lease premium, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operation, in the case of interest in an associate, other investment and other receivable.

Five Years Financial Summary

RESULTS

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**189,847**	126,719	240,339	122,952	86,973
(Loss)/profit for the year	**(24,865)**	14,146	61,695	52,978	26,564
Attributable to:					
Shareholders of the Company	**(34,085)**	6,989	58,145	53,294	28,478
Non-controlling interests	**9,220**	7,157	3,550	(316)	(1,914)
	(24,865)	14,146	61,695	52,978	26,564

ASSETS AND LIABILITIES

	At 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**374,843**	368,942	318,368	303,480	207,477
CURRENT ASSETS	**791,392**	677,458	812,226	561,674	184,761
DEDUCT:					
CURRENT LIABILITIES	**474,616**	536,285	676,751	484,914	107,625
NET CURRENT ASSETS	**316,776**	141,173	135,475	76,760	77,136
	691,619	510,115	453,843	380,240	284,613
DEDUCT:					
NON-CURRENT LIABILITIES	**(17,350)**	(15,072)	(13,122)	(30,343)	(29,009)
NET ASSETS	**674,269**	495,043	440,721	349,897	255,604