PME GROUP LIMITED

必美宜集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 00379

ANNUAL REPORT 2013

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wong Lik Ping *(Chairman)*
Ms. Yeung Sau Han Agnes *(Chief Executive Officer)*
Ms. Chan Shui Sheung Ivy
Mr. Lai Ka Fai
Mr. Wang Liang
Mr. Shi Chong
Mr. Feng Gang

NON-EXECUTIVE DIRECTOR

Mr. Cheng Kwok Woo

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing Wilfred
Mr. Goh Choo Hwee
Mr. Ho Hin Yip
Mr. U Keng Tin

JOINT COMPANY SECRETARIES

Mr. Li Chak Hung
Mr. Lai Ka Fai

AUTHORISED REPRESENTATIVES

Mr. Wong Lik Ping
Ms. Yeung Sau Han Agnes

AUDIT COMMITTEE

Mr. Ho Hin Yip *(Chairman)*
Mr. Lam Kwok Hing Wilfred
Mr. Goh Choo Hwee

REMUNERATION COMMITTEE

Mr. Ho Hin Yip *(Chairman)*
Mr. Wong Lik Ping
Mr. Lam Kwok Hing Wilfred
Mr. Goh Choo Hwee

NOMINATION COMMITTEE

Mr. Wong Lik Ping *(Chairman)*
Mr. Lam Kwok Hing Wilfred
Mr. Goh Choo Hwee
Mr. Ho Hin Yip

AUDITOR

SHINEWING (HK) CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Fubon Bank (Hong Kong) Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2203, 22/F.
Kwan Chart Tower
No. 6 Tonnochy Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

379

WEBSITE

http://www.pme8.com

Chairman's Statement

I hereby present to our shareholders the 2013 annual report.

RESULTS FOR THE YEAR

For the year 2013, the Group recorded turnover of approximately HK$84.2 million and profit attributable to the shareholders amounted to approximately HK$108.5 million.

The Directors do not recommend payment of final dividend for the year ended 31 December 2013.

REVIEW OF THE YEAR

The Group's turnover and revenue for the year ended 31 December 2013 decreased by 20.1% to approximately HK$84.2 million and increased by 0.7% to approximately HK$80.3 million respectively as compared with last year. Segmental revenue of polishing materials and equipment division increased slightly by 0.7% as compared with last year and there was no segmental revenue of other divisions.

Profit for the year ended 31 December 2013 attributable to the shareholders of the Company was approximately HK$108.5 million (2012: loss of HK$2.4 million). The Group recorded a substantial improvement in the annual results for the year ended 31 December 2013 as compared with last year because there were increase in share of results of joint ventures, decreases in finance costs, decrease in losses on disposal/partial disposal of associates, and decrease in fair value loss of convertible bonds designated as financial assets at fair value through profit or loss.

Segmental loss of the polishing materials and equipment division decreased from approximately HK$22.6 million in 2012 to HK$19.3 million in 2013. Segmental loss of the investment division decreased from approximately HK$19.0 million in 2012 to HK$16.2 million in 2013.

Segment profit of the terminal and logistics services division increased from HK$96.8 million in 2012 to HK$174.5 million in 2013. The increase was mainly due to the commencement of operation of its two new berths with total capacity of 140,000-tonne since October 2012.

On 17 January 2014, Upmove International Limited ("Upmove"), an indirect wholly-owned subsidiary of the Company, entered into the capital increase agreement with the joint venture partner, pursuant to which each of Upmove and the joint venture partner has agreed to make the capital increase in an amount of RMB50 million each to Rizhao Lanshan Wansheng Harbour Company Limited ("Rizhao Lanshan") to increase Rizhao Lanshan's registered capital from RMB330 million to RMB430 million. The amounts of the capital increase will be used for the terminal construction and general capital of Rizhao Lanshan.

Chairman's Statement

OUTLOOK

Facing with the slowdown in the economic growth in the PRC, weak corporate demand for bulk raw materials, and intense competition on peripheral terminals and logistics services, the major tasks of the terminal and logistics services division in 2014 include keeping on improving services quality, maintaining traditional position and customer strength, further enhancing the utilisation efficiency of existing terminal facilities, storage facilities and equipment, continuing to perfect construction of terminal facilities, soliciting new customers and supply, improving the management level and controlling production costs so as to strive for steady growth in port throughput and profits.

The management is cautious of the outlook of the polishing materials and equipment business. The Group will continue to enforce cost-saving measures, concentrate on selling products with high profit margin, expand its distribution network and develop new products in order to improve the profitability of this business segment.

The Group will also keep on evaluating and restructuring its investment portfolio and strategies in order to improve the performance of the investment segment.

The Board and the Group's management will continue to use their best endeavour to strengthen and strive for improvements in all the Group's business segments and to enhance the long-term growth potential of the Group.

APPRECIATION

On behalf of the Board, I take this opportunity to thank our staff for their continuous effort and contributions to the Group.

I also take this opportunity to thank our customers, suppliers and business partners for your support during the year.

Finally, I would like to thank our shareholders for your trust in the Company.

Wong Lik Ping
Chairman
Hong Kong, 28 March 2014

Management Discussion and Analysis

BUSINESS REVIEW AND FINANCIAL PERFORMANCE

The Group's turnover and revenue for the year ended 31 December 2013 decreased by 20.1% to approximately HK$84.2 million and increased by 0.7% to approximately HK$80.3 million respectively as compared with last year. Segmental revenue of polishing materials and equipment division increased slightly by 0.7% as compared with last year and there was no segmental revenue of other divisions.

Profit for the year ended 31 December 2013 attributable to the shareholders of the Company was approximately HK$108.5 million (2012: loss of HK$2.4 million). The Group recorded a substantial improvement in the annual results for the year ended 31 December 2013 as compared with last year because there were increase in share of results of joint ventures, decreases in finance costs, decrease in losses on disposal/partial disposal of associates, and decrease in fair value loss of convertible bonds designated as financial assets at fair value through profit or loss.

Segmental loss of the polishing materials and equipment division decreased from approximately HK$22.6 million in 2012 to HK$19.3 million in 2013. Segmental loss of the investment division decreased from approximately HK$19.0 million in 2012 to HK$16.2 million in 2013.

Segment profit of the terminal and logistics services division increased from HK$96.8 million in 2012 to HK$174.5 million in 2013. The increase was mainly due to the commencement of operation of its two new berths with total capacity of 140,000-tonne since October 2012.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2013, the Group had interest-bearing other loan of approximately HK$8.7 million (31 December 2012: HK$11.8 million), which was of maturity within one year. The Board expects that the other loan will be repaid by internal resources upon its maturity.

At 31 December 2013, current assets of the Group amounted to approximately HK$475.1 million (31 December 2012: HK$113.9 million). The Group's current ratio was approximately 3.82 as at 31 December 2013 as compared with 0.52 as at 31 December 2012. At 31 December 2013, the Group had total assets of approximately HK$1,368.5 million (31 December 2012: HK$874.5 million) and total liabilities of approximately HK$143.4 million (31 December 2012: HK$227.4 million), representing a gearing ratio (measured as total liabilities to total assets) of 10.5% as at 31 December 2013 as compared with 26.0% as at 31 December 2012.

CHARGE OF ASSETS

As at 31 December 2013, the Group did not have any pledge of assets.

At 31 December 2012, the Group's listed securities held under the margin accounts with a total market value of approximately HK$3,200,000 have been pledged to financial institutions to secure the credit facilities granted to the Group.

SIGNIFICANT INVESTMENTS

At 31 December 2013, the Group held available-for-sale investments and interests in associates amounting to approximately HK$2.5 million and HK$76.3 million respectively. During the year, the Group recorded gain in fair value of convertible bonds designated as financial assets at fair value through profit or loss amounting to approximately HK$2.5 million and gain on disposal of held for trading investments amounting to approximately HK$0.8 million.

Management Discussion and Analysis

At 31 December 2012, the Group held available-for-sale investments, interests in associates and held for trading investments amounting to approximately HK$2.5 million, HK$76.8 million and HK$3.2 million respectively. During the year, the Group recorded loss on partial disposal of an associate amounting to approximately HK$12.7 million, loss on disposal of an associate amounting to approximately HK$10.9 million, loss in fair value of convertible bonds designated as financial assets at fair value through profit or loss amounting to approximately HK$7.4 million and gain on disposals of held for trading investments amounting to approximately HK$9.5 million.

FOREIGN EXCHANGE EXPOSURES

The Group's purchases and sales are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The investments are in Hong Kong dollars. The operating expenses of the Group are either in Hong Kong dollars or Renminbi. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in exchange rates.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2013 and 2012.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 December 2013 and 2012.

OUTLOOK

Facing with the slowdown in the economic growth in the PRC, weak corporate demand for bulk raw materials, and intense competition on peripheral terminals and logistics services, the major tasks of the terminal and logistics services division in 2014 include keeping on improving services quality, maintaining traditional position and customer strength, further enhancing the utilisation efficiency of existing terminal facilities, storage facilities and equipment, continuing to perfect construction of terminal facilities, soliciting new customers and supply, improving the management level and controlling production costs so as to strive for steady growth in port throughput and profits.

The management is cautious of the outlook of the polishing materials and equipment business. The Group will continue to enforce cost-saving measures, concentrate on selling products with high profit margin, expand its distribution network and develop new products in order to improve the profitability of this business segment.

The Group will also keep on evaluating and restructuring its investment portfolio and strategies in order to improve the performance of the investment segment.

The Board and the Group's management will continue to use their best endeavour to strengthen and strive for improvements in all the Group's business segments and to enhance the long-term growth potential of the Group.

EMPLOYEES AND REMUNERATION

As at 31 December 2013, the Group had approximately 40 (2012: 30) employees (excluding employees of the Company's joint ventures) in Hong Kong and the PRC. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance. The Company also operates a share option scheme of which the Board may, at its discretion, grant options to employees of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SHARES

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

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance of the Company is crucial to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code and Report") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 31 December 2013, except for the following deviations:

1. **Code Provision A.6.7**

   Certain independent non-executive Directors of the Company were unable to attend the annual general meeting of the Company held on 11 June 2013 due to their other important commitments.

2. **Code Provision B.1.2**

   The terms of reference of the Remuneration Committee exclude review of and making recommendations to the Board in relation to senior management remuneration as in the Board's opinion, it was more appropriate for the executive Directors to perform these duties.

3. **Code Provision E.1.2**

   The Chairman of the Board was unable to attend the annual general meeting of the Company held on 11 June 2013 due to his other important commitment.

Corporate Governance Report

THE BOARD OF DIRECTORS

The Board currently comprises seven Executive Directors, one Non-Executive Director ("NED") and four Independent Non-Executive Directors ("INEDs"). The brief biographic details of and the relationship among Board members is set out in the Directors' and Senior Management's Profiles on pages 15 to 17. The Board has established three Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee. Attendance of the Board Meetings, the meetings of the Board Committees and the Annual General Meeting for the year ended 31 December 2013 is given below. The respective responsibilities of the Board and Board Committees are discussed later in this report.

	No. of meetings attended/eligible to attend				
	Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
Executive Directors					
Wong Lik Ping	4/16		1/2	1/1	0/1
Yeung Sau Han Agnes	7/9				1/1
Chan Shui Sheung Ivy	7/9				0/1
Lai Ka Fai	16/16				1/1
Wang Liang	11/16				1/1
Shi Chong	10/16				0/1
Feng Gang (appointed on 1 November 2013)	1/1				0/0
Non-Executive Director					
Cheng Kwok Woo	7/9				1/1
Independent Non-Executive Directors					
Leung Yuen Wing (retired on 11 June 2013)	6/9	2/2	1/2	1/1	0/1
Lam Kwok Hing Wilfred	14/16	3/3	1/2	0/1	0/1
Goh Choo Hwee	12/16	3/3	2/2	1/1	1/1
Ho Hin Yip	10/16	3/3	2/2	1/1	1/1
U Keng Tin (appointed on 10 May 2013)	7/7				1/1

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent professional advice at the expense of the Company in discharge of their duties.

The Board held meetings from time to time whenever necessary. Notice of at least 14 days has been given to all Directors for all regular board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all directors within reasonable time before the meeting. Draft minutes of all board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of board meetings and meetings of Board Committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Details of the Chairman, Mr. Wong Lik Ping, and Chief Executive Officer, Ms. Yeung Sau Han Agnes, are set out in the Directors' and Senior Management's Profiles. The roles of the Chairman and the Chief Executive Officer were segregated throughout the financial year.

NON-EXECUTIVE DIRECTORS

The Board currently has one NED and four INEDs, one of the INEDs hold appropriate professional qualifications, or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. All NED and INEDs of the Company have been appointed for a specific term and are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

Each of the INEDs has given the Company an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all INEDs are independent and meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution into the Board remains informed and relevant.

The Directors are committed to complying with the code provision A.6.5 on Directors' training. All Directors have participated in continuous professional development activities by reading regulatory updates, and/or attending seminars/workshops relevant to the business/Directors' duties.

A record of training they received for the year ended 31 December 2013 was provided to the Company. The individual training record of each Director received for the year ended 31 December 2013 is set out below:

	Reading regulatory updates	Attending seminars/ workshops relevant to the business/ directors' duties
Executive Directors		
Wong Lik Ping	✓	✓
Yeung Sau Han Agnes	✓	
Chan Shui Sheung Ivy	✓	✓
Lai Ka Fai	✓	✓
Wang Liang	✓	✓
Shi Chong	✓	✓
Feng Gang (appointed on 1 November 2013)	✓	✓
Non-Executive Director		
Cheng Kwok Woo	✓	
Independent Non-Executive Directors		
Leung Yuen Wing (retired on 11 June 2013)	✓	✓
Lam Kwok Hing Wilfred	✓	✓
Goh Choo Hwee	✓	✓
Ho Hin Yip	✓	✓
U Keng Tin (appointed on 10 May 2013)	✓	

DELEGATION BY THE BOARD

The Board sets the Group's objectives and strategies and monitors its performance. The Board also decides on matters such as annual and interim results, major transactions, director appointments, and dividend and accounting policies and monitors the internal controls of the Group's business operation. The Board has delegated the authority and responsibility of overseeing the Group's day to day operations to management executives.

When the Board delegates aspect of its management and administration functions to management, clear directions would be given as to the power of management, in particular, the circumstances where management should report back to the Board before making decision or entering into any commitments on behalf of the Group.

Principal functions that are specifically delegated by the Board to the management include (i) implementation of corporate strategy and policy initiatives; (ii) provision of management reports to the Board in respect of Group's performance, financial position and prospects; and (iii) day-to-day management of the Group.

BOARD DIVERSITY POLICY

The Board has adopted a Diversity of Board Members Policy with effect from 30 December 2013 and discussed all measurable objectives set for implementing the policy.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be based on merit and the candidates will be considered against measurable objectives, taking into account the Company's business and needs. Selection of candidates will be based on a range of diversity criteria, including but not limited to gender, age, cultural and educational background, knowledge, professional experience and skills. The ultimate decision will be based on merit and the contribution that the selected candidates may bring to the Board.

The Nomination Committee will review the Policy as appropriate and recommend any proposed changes to the Board for approval.

REMUNERATION COMMITTEE

The Company has set up a Remuneration Committee to ensure that there are formal and transparent procedures for setting policies on the remuneration of Directors. For the year ended 31 December 2013, the Remuneration Committee comprises the Board's Chairman and four INEDs before retirement of Mr. Leung Yuen Wing on 11 June 2013 and three INEDs with effect from 11 June 2013, namely Mr. Lam Kwok Hing Wilfred, Mr. Goh Choo Hwee and Mr. Ho Hin Yip. The Remuneration Committee is chaired by Mr. Leung Yuen Wing before 11 June 2013 and Mr. Ho Hin Yip with effect from 11 June 2013.

During the year, one Remuneration Committee meeting was held to review the remuneration packages of the Directors. The Remuneration Committee ensures that no Director is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code and Report.

NOMINATION COMMITTEE

The Company has set up a Nomination Committee to ensure fair and transparent procedures for the appointment, re-election and removal of Directors to the Board. For the year ended 31 December 2013, the Nomination Committee comprises the Board's Chairman and four INEDs before retirement of Mr. Leung Yuen Wing on 11 June 2013 and three INEDs with effect from 11 June 2013, namely Mr. Lam Kwok Hing Wilfred, Mr. Goh Choo Hwee and Mr. Ho Hin Yip. The Nomination Committee is chaired by the Board's Chairman.

During the year, two Nomination Committee meetings was held to discuss appointment and re-election of Directors. In selecting and recommending candidates for directorship, the Committee will consider the experience, qualification and suitability of the candidates as well as Diversity of Board Members Policy. The Board will approve the recommendations based on the same criteria. The terms of reference of the Nomination Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code and Report.

AUDIT COMMITTEE

For the year ended 31 December 2013, the Audit Committee comprises four INEDs before retirement of Mr. Leung Yuen Wing on 11 June 2013 and three INEDs with effect from 11 June 2013, namely Mr. Lam Kwok Hing Wilfred, Mr. Goh Choo Hwee and Mr. Ho Hin Yip. The Audit Committee is chaired by Mr. Leung Yuen Wing before 11 June 2013 and Mr. Ho Hin Yip with effect from 11 June 2013.

The principal duties of the Audit Committee are to review and provide supervision over the financial reporting process and internal controls of the Group. During the year, two Audit Committee meetings were held to review the financial reporting matters and internal control procedures of the Group. The terms of reference of the Audit Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code and Report.

CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Board approved the revised terms of reference of the Nomination Committee, Diversity of Board Members Policy and continuous disclosure obligation procedures of the Company. The Board also approved that the corporate governance duties were delegated to the Audit Committee.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by the Directors. Following a specific enquiry, all Directors confirmed they have complied with the standards set out in the Model Code throughout the year ended 31 December 2013.

To comply with the code provision A.6.4 of the CG Code and Report, the Company has also adopted the Model Code as the code of conduct for securities transactions by Relevant Employees to regulate the dealings in the securities of the Company by certain employees of the Group who are considered to be likely in possession of unpublished price sensitive information of the Company.

ACCOUNTABILITY AND INTERNAL CONTROL

The Directors acknowledge their responsibility for preparing the financial statements of the Group. As at 31 December 2013, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

To ensure implementation of an effective and sound internal control system, an Internal Control Committee ("ICC") has been established. The major tasks of ICC are to review the effectiveness of the internal control systems of the Group and to make recommendations for improvement, especially in financial, operational, compliance controls and risk management.

For the year under review, the Board considered that the Group's internal control systems are adequate and effective and the Group has complied with the code provisions on internal control of the CG Code and Report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2013, the auditor of the Company only provided audit services to the Company and the Group.

The auditor's remuneration in relation to the audit services for the year amounted to HK$800,000.

The statement of the auditor of the Company regarding their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 26 and 27.

COMPANY SECRETARIES

Mr. Li Chak Hung and Mr. Lai Ka Fai are the joint company secretaries of the Company. Both of Mr. Li and Mr. Lai report to Mr. Wong Lik Ping, the Chairman of the Board.

Mr. Li Chak Hung was appointed as company secretary of the Company on 13 March 2002. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He undertook no less than 15 hours of relevant professional training during the year.

Mr. Lai Ka Fai was appointed as joint company secretary of the Company on 22 June 2010. He was then appointed as an executive director of the Company on 18 January 2012. He is a solicitor of the High Court of the Hong Kong Special Administrative Region. He undertook no less than 15 hours of relevant professional training during the year.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting by Shareholders

Pursuant to Article 58 of the Company's Articles of Association, any one or more Members 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 Secretary of the Company, 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 requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the company secretary at the Company's office in Hong Kong at Room 2203, 22/F., Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

As regards proposing a person for election as a Director, please refer to the procedures available on the websites of the Company and the Stock Exchange.

Making Enquiry to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the company secretary at the Company's office in Hong Kong at Room 2203, 22/F., Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong.

Corporate Governance Report

INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has established a range of communication channels between itself, its shareholders and investors, including answering questions through the annual general meeting, the publications of annual and interim reports, notices, announcements and circulars on the website of the Company at www.pme8.com. During the year, the Board is not aware of any significant changes in the Company's constitutional documents.

On behalf of the Board
Wong Lik Ping
Chairman

Hong Kong, 28 March 2014

Directors' and Senior Management's Profiles

DIRECTORS

Executive Directors

Mr. Wong Lik Ping, aged 53, is the Chairman of the Group. He joined the Group in August 2012 and is responsible for strategic planning, business development and Board issues of the Group. He was appointed as (i) an executive director and a vice-chairman of Shougang Fushan Resources Group Limited (stock code: 639) and (ii) an executive director and chairman of Theme International Holdings Limited (stock code: 990), both companies listed on the Main Board of the Stock Exchange. Mr. Wong is a member of the National Committee of the Chinese People's Political Consultative Conference. He has extensive experience in trading business, financial industry and investments in a wide range of businesses in China. Mr. Wong is also a director of a joint venture of the Company in the PRC. Mr. Wong Lik Ping is the father of Mr. Wang Liang.

Ms. Yeung Sau Han Agnes, aged 48, is the Chief Executive Officer of the Group. She joined the Group in May 2007 and is responsible for the Group's overall operations and development. She graduated from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a higher diploma in fashion design. She is also an executive director of U-RIGHT International Holdings Limited (stock code: 627), a company listed on the Main Board of the Stock Exchange.

Ms. Chan Shui Sheung Ivy, aged 49, joined the Group in May 2007 and is responsible for business development of the Group. She holds a Master degree of Business Administration from the University of South Australia. She has over 16 years of experience in investment. She is also an executive director of Chinese Strategic Holdings Limited (stock code: 8089), a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Lai Ka Fai, aged 45, joined the Group in June 2010 and is responsible for the corporate governance and port operation business of the Group. He holds a Bachelor degree in Laws from The Manchester Metropolitan University in the United Kingdom, a Postgraduate Certificate in Laws from The University of Hong Kong and a Master degree of Business Administration from the University of Leicester in the United Kingdom. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and has over 10 years of experience in the legal field. He is also a director of a joint venture of the Company in the PRC and currently the joint company secretary of the Company.

Mr. Wang Liang, aged 29, joined the Group in December 2012 and is responsible for the project appraisal, capital market financing and business marketing of the Group. He holds a Bachelor degree in Physics from Imperial College London. He has extensive experience in the international finance and project management. He had been working in international investment banks and responsible for clients' project management, projects merger and acquisition and various initial public offerings. He is also an executive director of Tack Fiori International Group Limited (stock code: 928), a company listed on the Main Board of the Stock Exchange. Mr. Wang Liang is the son of Mr. Wong Lik Ping.

Mr. Shi Chong, aged 40, joined the Group in March 2011 and is responsible for the management and development of the Group's businesses in the PRC. He holds a graduate Certificate in Telecommunication from The Beijing Institute of Technology and a Bachelor degree in Laws from The Peking University. He has over 10 years of experience in the IT/EE development, International Technology trading and Project management. He had been working in multinational corporations as Tech-sale manager, Senior Customer Project manager and to assist the chairman and managing director in group management and strategic planning. He currently is a business development manager of the wholly-owned subsidiary of the Company.

Directors' and Senior Management's Profiles

Mr. Feng Gang, aged 39, has joined Rizhao Lanshan since October 2004 and was appointed as an executive director of the Company in November 2013. He is responsible for port operation business and new projects of the Group. He holds a Master of Business Administration degree from Nankai University, a Bachelor degree in Polymer Materials from Tianjin University and a Training Certificate in Finance graduate course from Peking University. Mr. Feng has over 10 years of experience in port management, international trading and corporate strategy consulting. He had worked in a well-known consulting company as corporate strategy consultant and a large SOE as international trading supervisor. Mr. Feng is currently a general manager and a director of Rizhao Lanshan.

Non-Executive Director

Mr. Cheng Kwok Woo, aged 57, joined the Group in 1990 and acted as Chairman and an executive director of the Company since 2002 and was re-designated to a non-executive director since 9 August 2012. He has over 25 years of experience in the trading and manufacturing of abrasive products. Mr. K.W. Cheng is the brother of Mr. Cheng Kwong Cheong and Ms. Cheng Wai Ying.

Independent Non-executive Directors

Mr. Lam Kwok Hing Wilfred, aged 55, was appointed as an independent non-executive director in April 2011. He is the Group Vice President of 3D-GOLD Jewellery (HK) Limited; executive director and chairman of Chinese Strategic Holdings Limited (stock code: 8089), a company listed on the Growth Enterprise Market of the Stock Exchange; executive director and group vice president of Hong Kong Resources Holdings Company Limited (stock code: 2882), a company listed on the Main Board of the Stock Exchange; non-executive vice-chairman and non-executive director of National Arts Entertainment and Culture Group Limited (stock code: 8228), a company listed on the Growth Enterprise Market of the Stock Exchange; and non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 145), a company listed on the Main Board of the Stock Exchange. He is a Justice of the Peace of the Hong Kong Special Administrative Region and was awarded the Queen's Badge of Honour in January 1997. He holds a bachelor degree of Law with honours from The University of Hong Kong. He is a practising solicitor in Hong Kong and is a consultant lawyer of WT Law Offices. He also holds a professional qualification of Estate Agent's (Individual) Licence in Hong Kong.

Being an active member in social and charity activities, Mr. Lam is a Support Force Commander of the Civil Aid Service, Officio Member of New Territories Heung Yee Kuk, Chairman of the Friends of the Community Chest (Kwai Tsing), Honorary Advisor and Former Vice-President of (Kwai Tsing) Junior Police Call, member of and Former Chairman of the Kwai Tsing District Fight Crime Committee, Director and Former Chairman of the Kwai Tsing District Community Development Fund in Hong Kong. He is also an executive member of the liaison association of the Chinese People's Political Consultative Conference, Guangdong Province.

Mr. Goh Choo Hwee, aged 43, was appointed as an independent non-executive director in January 2012. He has over 10 years of experience in PRC-related, corporate and securities practice. He is currently a partner at Ma Tang & Co, Solicitors, a law firm in Hong Kong. He graduated from The University of Hong Kong with Postgraduate Certificate in Laws in 1995. He has become a member of The Law Society of Hong Kong and has been a practicing solicitor in Hong Kong since 1997. He is also an independent non-executive director of Tsui Wah Holdings Limited (stock code: 1314) and Theme International Holdings Limited (stock code: 990), both companies listed on the Main Board of the Stock Exchange. He was appointed and remain as the company secretary of Xinhua News Media Holdings Limited (stock code: 309), a company listed on the Main Board of Stock Exchange, in December 2013.

Directors' and Senior Management's Profiles

Mr. Ho Hin Yip, aged 40, was appointed as an independent non-executive director in December 2012. He is presently the Financial Controller and Joint Company Secretary of Singapore-listed Dukang Distillers Holdings Limited, where he is responsible for the finance and accounting functions, statutory compliance and corporate governance affairs. He has more than 15 years of financial and auditing experience. He is a fellow member of The Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants.

Mr. U Keng Tin, aged 64, was appointed as an independent non-executive director in May 2013. He holds the Bachelor's degree of Arts from York University, Canada and Master's degree of Arts in International Economics from University of San Francisco, USA. He is presently a director of an estate management company, Full Fill Services Co., Limited and an executive director of a listed company in Singapore, Chinese Global Investors Group Limited. He has over 30 years of experience in the securities industry.

SENIOR MANAGEMENT

Mr. Cheng Kwong Cheong, aged 53, is the managing director of the Group's polishing materials division. He joined the Group in 1990 and is responsible for the operations and development of the Group's polishing materials division. He has over 25 years of experience in the trading and manufacturing of abrasive products. Mr. K.C. Cheng is the brother of Mr. Cheng Kwok Woo and Ms. Cheng Wai Ying.

Ms. Cheng Wai Ying, aged 55, is the financial controller of the Group's polishing materials division. She joined the Group in 1990 and is responsible for the financial management of the Group's polishing materials division. She has over 25 years of experience in financial management and business operation management. Ms. Cheng is the sister of Mr. Cheng Kwok Woo and Mr. Cheng Kwong Cheong.

Report of the Directors

The directors of the Company hereby present their annual report and the audited financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the activities of the principal subsidiaries of the Company are set out in note 40 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover, revenue and segment information for the year ended 31 December 2013 is set out in note 9 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 28 and 29 of this annual report.

The directors do not recommend payment of final dividend for the year ended 31 December 2013.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 120 of this annual report.

PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year together with the reasons therefore and up to the date of this report are set out in note 32 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

At 31 December 2013, in the opinion of the directors, the Company's share premium and reserves available for distribution to shareholders amounted to HK$385,939,000.

Movement in the share premium and reserves of the Group during the year are set out on pages 32 and 33 of this annual report.

Report of the Directors

SHARE OPTION SCHEME

The Company operates a share option scheme for the purposes to enable the directors of the Company to grant options to certain full-time employees (including executive directors, non-executive directors and independent non-executive directors of the Company) of the Group in recognition of their contributions to the Group. Summary of the terms of the share option scheme and the movements of the share option scheme are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers taken together accounted for less than 30 per cent of the Group's total sales for the year.

The aggregate purchases attributable to the Group's five largest suppliers taken together accounted for less than 30 per cent of the Group's total purchases for the year.

None of the directors, their associates, or any shareholder (which to the knowledge of the directors owns more than 5 per cent of the Company's share capital) has any interest in the Group's five largest suppliers.

RELATED PARTY TRANSACTIONS

Related party transactions during the year are disclosed in note 38 to the consolidated financial statements.

Report of the Directors

CONTINUING CONNECTED TRANSACTION

Pursuant to Chapter 14A of the Listing Rules, the following transaction is a continuing connected transaction as defined in the Listing Rules and is required to be disclosed in the annual report of the Company.

On 25 November 2009, the Group entered into a master processing agreement with Billionlink Holdings Limited ("Billionlink"), pursuant which the Group agreed to supply raw materials each year to Billionlink and/or its subsidiaries and nominees for further processing for a term of three years commenced from 30 December 2010. The entire issued share capital of Billionlink is beneficially owned as to one-third by each of Mr. Cheng Kwok Woo (a non-executive director of the Company), Mr. Cheng Kwong Cheong and Ms. Cheng Wai Ying (two of whom are directors of certain subsidiaries of the Company).

The annual aggregate amount of charges for further processing the raw materials for each of the three years under the master processing agreement shall not exceed the annual capacity of HK$14,000,000. For the year ended 31 December 2013, PME International Company Limited, a wholly-owned subsidiary of the Company, paid processing charges of approximately HK$5,729,000 to PME International Investment (South China) Limited, a wholly-owned subsidiary of Billionlink.

Auditor's Letter on Continuing Connected Transaction

The Company's auditor was engaged to report on the Group's continuing connected transaction. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transaction in accordance with rule 14A.38 of the Listing Rules.

Confirmation of Independent Non-executive Directors

Pursuant to rule 14A.37 of the Listing Rules, the Company's INEDs have reviewed the continuing connected transaction and the letter from the auditor and have confirmed that the transaction has been entered into by the Group:

(1) in the ordinary and usual course of its business of the Group;

(2) on normal commercial terms, and

(3) in accordance with the terms of the respective agreement governing such transaction that is fair and reasonable and in the interests of the shareholders of the Company as a whole.

Report of the Directors

DIRECTORS

The directors of the Company during the year ended 31 December 2013 and up to the date of this report were:

Executive directors

Mr. Wong Lik Ping *(Chairman)*
Ms. Yeung San Han Agnes *(Chief Executive Officer)*
Ms. Chan Shui Sheung Ivy
Mr. Lai Ka Fai
Mr. Wang Liang
Mr. Shi Chong
Mr. Feng Gang (appointed on 1 November 2013)

Non-executive director

Mr. Cheng Kwok Woo

Independent non-executive directors

Mr. Lam Kwok Hing Wilfred
Mr. Goh Choo Hwee
Mr. Ho Hin Yip
Mr. U Keng Tin (appointed on 10 May 2013)
Mr. Leung Yuen Wing (retired on 11 June 2013)

In accordance with Article 87(1) of the Company's Articles of Association, Ms. Chan Shui Sheung Ivy, Mr. Lai Ka Fai, Mr. Cheng Kwok Woo and Mr. Goh Choo Hwee shall retire from offices by rotation in the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Feng Gang shall retire from office in the forthcoming annual general meeting, and being eligible, offer himself for re-election.

The biographic details of the directors are set out on pages 15 to 17 of this annual report.

DIRECTORS' SERVICES CONTRACTS

Each of the NED/INEDs has entered into a letter of appointment with the Company in relation to his/her service as NED/INED of the Company for a fixed term.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Report of the Directors

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors have any interest in competing business to the Group.

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

At 31 December 2013, the directors and chief executive of the Company have the following interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code:

Long positions in the ordinary shares/underlying shares of the Company:

	Number of shares/underlying shares held			
Directors	**Personal interests**	**Corporate interests**	**Total interests**	**Percentage of interests**
Mr. Wong Lik Ping	466,000,000	2,860,000,000	3,326,000,000	27.90%
Ms. Yeung Sau Han Agnes	202,250,000	–	202,250,000	1.70%
Ms. Chan Shui Sheung Ivy	550,000	–	550,000	0.00%
Mr. Cheng Kwok Woo	8,000,000	–	8,000,000	0.07%

Save as disclosed above, none of the directors, chief executive and their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company adopted a share option scheme on 23 October 2002 for the purposes to enable the Directors to grant options to certain full-time employees (including executive directors, non-executive directors and independent non-executive directors of the Company) of the Group in recognition of their contributions to the Group.

The movements of share options during the year ended 31 December 2013 are as follows:

Name of grantee	Exercise price	Exercisable period	As at 1.1.2013	Granted during the year	Exercised/ Lapsed during the year	As at 31.12.2013
	HK$					
Mr. Cheng Kwok Woo	0.64	27.5.2010 – 26.5.2015	1,500,000	–	–	1,500,000
Ms. Yeung Sau Han Agnes	0.64	27.5.2010 – 26.5.2015	175,000,000	–	–	175,000,000
Other employee	0.64	27.5.2010 – 26.5.2015	1,500,000	–	–	1,500,000
			178,000,000	–	–	178,000,000

Save as disclosed above, at no time during the year ended 31 December 2013 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any Directors, chief executive, or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company to acquire such rights in any other corporate.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, in accordance with the register of the substantial shareholders kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules, the following persons were interested (including short positions) in the shares or underlying shares of the Company:

Interest in the ordinary shares/underlying shares of the Company:

Name of Shareholders	*Notes*	Number of Shares/underlying Shares held	Long (L) or Short (S) positions	Percentage holding
Worldkin Development Limited	*1*	2,860,000,000	L	23.99%
		2,860,000,000	S	23.99%
Mr. Wong Lik Ping	*2*	3,326,000,000	L	27.90%
		2,860,000,000	S	23.99%
Yardley Finance Limited	*3*	2,860,000,000	L	23.99%
Mr. Chan Kin Sun	*4*	2,860,000,000	L	23.99%
Sino Life Insurance Co., Ltd.		2,169,430,000	L	18.20%
Profit Win International Limited	*5*	1,200,000,000	L	10.07%
Mr. Chen Hui	*6*	1,200,000,000	L	10.07%
Mr. Xu Yufeng		800,000,000	L	6.71%

Notes:

1. Worldkin Development Limited is the beneficial owner of 2,860,000,000 shares of the Company.

2. Mr. Wong Lik Ping holds entire equity interests of Worldkin Development Limited and is accordingly deemed to have interests in 2,860,000,000 shares of the Company that Worldkin Development Limited has interests in. Mr. Wong personally owns 466,000,000 shares of the Company.

3. Yardley Finance Limited has security interests in 2,860,000,000 shares of the Company.

4. Mr. Chan Kin Sun holds entire equity interests of Yardley Finance Limited and is accordingly deemed to have interests in 2,860,000,000 shares of the Company that Yardley Finance Limited has interests in.

5. Profit Win International Limited is the beneficial owner of 1,200,000,000 shares of the Company.

6. Mr. Chen Hui holds entire equity interests of Profit Win International Limited and is accordingly deemed to have interests in 1,200,000,000 shares of the Company that Profit Win International Limited has interests in.

Save as disclosed above, no other parties were recorded in the register required to be kept under Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 31 December 2013.

Report of the Directors

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 7 to 14 of this annual report.

OTHER CHANGES OF DIRECTORS' INFORMATION

With effective from 1 May 2013, Mr. Lai Ka Fai's monthly remuneration has been increased to HK$100,000.

With effective from 1 September 2013, Mr. Cheng Kwok Woo's monthly remuneration has been increased to HK$86,000.

With effective from 1 November 2013, Mr. Wong Lik Ping is entitled to a remuneration of HK$500,000 per month.

With effective from 1 November 2013, Mr. Wang Liang was appointed as a project manager of a wholly-owned subsidiary of the Company and his monthly remuneration has been increased to HK$100,000.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this report.

AUDITOR

A resolution to reappoint SHINEWING (HK) CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Wong Lik Ping
Chairman

Hong Kong, 28 March 2014

Independent Auditor's Report

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF PME GROUP LIMITED
必美宜集團有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of PME Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 119, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

Independent Auditor's Report

OPINION

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

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chong Kwok Shing
Practising Certificate Number: P05139

Hong Kong
28 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000 (Restated)
Turnover	8	**84,214**	105,367
Revenue		**80,297**	79,740
Cost of sales		**(83,634)**	(80,872)
Gross loss		**(3,337)**	(1,132)
Other income	10	**5,489**	4,964
Selling and distribution expenses		**(4,316)**	(5,320)
Administrative expenses		**(53,949)**	(35,564)
Gain on disposal of subsidiaries	35	**1,760**	6,678
Loss on partial disposal of an associate	21	**–**	(12,742)
Loss on disposal of an associate	21	**–**	(10,898)
Loss on disposal of available-for-sale investments		**–**	(3,106)
Gain on disposal of held for trading investments		**754**	9,514
Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss	25	**2,529**	(7,366)
Decrease in fair value of held for trading investments		**–**	(177)
Share of results of an associate		**(2,233)**	(7,114)
Share of results of joint ventures		**175,251**	97,983
Finance costs	11	**(2,022)**	(29,420)
Profit before taxation		**119,926**	6,300
Taxation	13	**(11,419)**	(8,728)
Profit (loss) for the year	14	**108,507**	(2,428)
Attributable to:			
Owners of the Company		**108,507**	(2,426)
Non-controlling interests		**–**	(2)
		108,507	(2,428)
Earnings (loss) per share (expressed in HK cents)			
Basic	16	**0.92**	(0.04)
Diluted	16	**0.92**	(0.04)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	2013 *HK$'000*	2012 *HK$'000* (Restated)
Profit (loss) for the year	**108,507**	(2,428)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**(175)**	985
Share of other comprehensive income of an associate	**1,524**	399
Share of other comprehensive income of joint ventures	**18,488**	10,475
Transfer of investment revaluation reserve to profit or loss upon realisation of available-for-sale investments during the year	**–**	33
Transfer of investment revaluation reserve to profit or loss upon disposal of an associate during the year	**–**	(175)
Other comprehensive income for the year (net of tax)	**19,837**	11,717
Total comprehensive income for the year	**128,344**	9,289
Total comprehensive income (expenses) attributable to:		
Owners of the Company	**128,344**	9,291
Non-controlling interests	**–**	(2)
	128,344	9,289

Consolidated Statement of Financial Position

As at 31 December 2013

	NOTES	31/12/2013 HK$'000	31/12/2012 HK$'000 (Restated)	1/1/2012 HK$'000 (Restated)
Non-current assets				
Plant and equipment	17	**1,674**	4,875	12,533
Investment property	18	**–**	–	5,200
Available-for-sale investments	19	**2,500**	2,500	41,038
Goodwill	20	**–**	–	–
Interests in associates	21	**76,269**	76,844	155,616
Interests in joint ventures	22	**812,619**	676,075	476,936
Club debentures		**350**	350	350
		893,412	760,644	691,673
Current assets				
Inventories	23	**4,585**	18,394	22,399
Trade receivables, other receivables, deposits and prepayments	24	**41,489**	79,612	36,624
Convertible bonds designated as financial assets at fair value through profit or loss	25	**34,529**	–	45,179
Amounts due from associates		**–**	–	19,791
Amount due from a joint venture	38	**317**	294	35
Loan receivables		**–**	–	21,351
Held for trading investments	26	**–**	3,163	10,010
Deposits placed with financial institutions	27	**115**	126	173
Bank balances and cash	27	**394,069**	12,311	8,552
		475,104	113,900	164,114
Current liabilities				
Trade and other payables and accruals	28	**45,731**	38,886	27,864
Amount due to an associate	38	**32,000**	34,900	–
Taxation payable		**37,391**	37,303	37,263
Obligation under finance leases	29	**542**	393	523
Other loans	30	**8,700**	11,803	18,522
Convertible bonds	31	**–**	94,410	–
		124,364	217,695	84,172
Net current assets (liabilities)		**350,740**	(103,795)	79,942
Total assets less current liabilities		**1,244,152**	656,849	771,615

Consolidated Statement of Financial Position

As at 31 December 2013

	NOTES	31/12/2013 HK$'000	31/12/2012 HK$'000 (Restated)	1/1/2012 HK$'000 (Restated)
Capital and reserves				
Share capital	32	**119,192**	94,042	50,842
Reserves		**1,105,055**	552,221	467,447
Equity attributable to owners of the Company		**1,224,247**	646,263	518,289
Non-controlling interests		**845**	845	975
Total equity		**1,225,092**	647,108	519,264
Non-current liabilities				
Obligation under finance leases	29	**749**	–	392
Convertible bonds	31	**–**	–	194,301
Promissory note		**–**	–	55,243
Deferred tax liabilities	33	**18,311**	9,741	2,415
		19,060	9,741	252,351
		1,244,152	656,849	771,615

The consolidated financial statements on pages 28 to 119 were approved and authorised for issue by the board of directors on 28 March 2014 and are signed on its behalf by:

WONG LIK PING
Director

YEUNG SAU HAN AGNES
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve *(Note a)*	Translation reserve	Share options reserve	Investment revaluation reserve	Other reserves *(Note b)*	Convertible bonds reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	50,842	956,499	(45,781)	10,559	63,700	273	1,452	64,583	(583,838)	518,289	975	519,264
Loss for the year	–	–	–	–	–	–	–	–	(2,426)	(2,426)	(2)	(2,428)
Other comprehensive income (expense) for the year												
Exchange differences on translating foreign operations (restated)	–	–	–	985	–	–	–	–	–	985	–	985
Share of other comprehensive income of joint ventures (restated)	–	–	–	10,475	–	–	–	–	–	10,475	–	10,475
Share of other comprehensive income of associates	–	–	–	–	–	399	–	–	–	399	–	399
Transfer of investment revaluation reserve to profit or loss upon realisation of available-for-sale investments during the year	–	–	–	–	–	33	–	–	–	33	–	33
Transfer of investment revaluation reserve to profit or loss upon disposal of an associate during the year	–	–	–	–	–	(175)	–	–	–	(175)	–	(175)
Total comprehensive income (expense) for the year	–	–	–	11,460	–	257	–	–	(2,426)	9,291	(2)	9,289
Disposal of subsidiary	–	–	–	–	–	–	–	–	–	–	(128)	(128)
Issue of shares upon conversion of convertible bonds *(Note 31)*	43,200	114,467	–	–	–	–	–	(38,984)	–	118,683	–	118,683
At 31 December 2012	94,042	1,070,966	(45,781)	22,019	63,700	530	1,452	25,599	(586,264)	646,263	845	647,108

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve *(Note a)*	Translation reserve	Share options reserve	Investment revaluation reserve	Other reserves *(Note b)*	Convertible bonds reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	**94,042**	**1,070,966**	**(45,781)**	**22,019**	**63,700**	**530**	**1,452**	**25,599**	**(586,264)**	**646,263**	**845**	**647,108**
Profit for the year	–	–	–	–	–	–	–	–	108,507	108,507	–	108,507
Other comprehensive (expense) income for the year												
Exchange differences on translating foreign operations	–	–	–	(175)	–	–	–	–	–	(175)	–	(175)
Share of other comprehensive income of joint ventures	–	–	–	18,488	–	–	–	–	–	18,488	–	18,488
Share of other comprehensive income of an associate	–	–	–	718	–	806	–	–	–	1,524	–	1,524
Total comprehensive income for the year	–	–	–	19,031	–	806	–	–	108,507	128,344	–	128,344
Lapse of warrants issued by an associate	–	–	–	–	–	–	(1,452)	–	1,452	–	–	–
Share of issue of warrants by an associate	–	–	–	–	–	–	134	–	–	134	–	134
Issue of shares upon placing of shares	10,000	345,000	–	–	–	–	–	–	–	355,000	–	355,000
Issue of shares upon conversion of convertible bonds *(Note 31)*	15,150	104,955	–	–	–	–	–	(25,599)	–	94,506	–	94,506
At 31 December 2013	**119,192**	**1,520,921**	**(45,781)**	**41,050**	**63,700**	**1,336**	**134**	**–**	**(476,305)**	**1,224,247**	**845**	**1,225,092**

Notes:

(a) Special reserve represented the difference between the nominal amount of the share capital issued by PME International (BVI) Company Limited, the then holding company of the Group, and the aggregate of the nominal amount of the issued share capital and other reserves accounts of the subsidiaries which was acquired by PME International (BVI) Company Limited pursuant to the group reorganisation carried out in 1997.

(b) Other reserves represented the Group's share of capital reserve and warrant reserve of an associate.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 *HK$'000*	2012 *HK$'000* (Restated)
OPERATING ACTIVITIES		
Profit before taxation	**119,926**	6,300
Adjustments for:		
Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss	**(2,529)**	7,366
Change in fair value of held for trading investments	–	177
Depreciation of plant and equipment	**1,867**	3,866
Finance costs	**2,022**	29,420
Loss on disposal of available-for-sale investments	–	3,106
Gain on disposal of subsidiaries	**(1,760)**	(6,678)
Gain on disposal of a club membership	–	(840)
Interest income	**(2,887)**	(1,799)
Impairment loss on trade receivables	**1,707**	4,169
Loss on disposal of plant and equipment	–	39
Loss on partial disposal of an associate	–	12,742
Loss on disposal of an associate	–	10,898
Reversal of allowance for inventories	**(1,897)**	(749)
Allowance for inventories	**365**	4,956
Share of results of joint ventures	**(175,251)**	(97,983)
Share of results of an associate	**2,233**	7,114
Written off of plant and equipment	**2,828**	3,740
Operating cash flows before movements in working capital	**(53,376)**	(14,156)
Decrease (increase) in inventories	**15,341**	(202)
Decrease (increase) in trade receivables, other receivables, deposits and prepayments	**(3,371)**	(5,296)
Decrease in held for trading investments	**3,163**	7,918
Decrease in deposits placed with financial institutions	**11**	47
Increase in trade and other payables and accruals	**7,544**	56,570
Cash (used in) generated from operations	**(30,688)**	44,881
Income tax paid	**(2,761)**	(1,278)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(33,449)**	43,603

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000 (Restated)
INVESTING ACTIVITIES		
Purchases of plant and equipment	**(177)**	(36)
Advance to a joint venture	**(23)**	(259)
Dividend from joint ventures	**57,195**	26,439
Net cash inflow from disposal of subsidiaries (Note 24 and 35)	**6,254**	1,151
Interest received	**2,431**	498
Proceeds from disposal of associates (Note 21)	**1,875**	8,295
Investment in a joint venture	**–**	(117,120)
Proceeds on disposal of available-for sale investments	**–**	35,465
Prepayment from loans receivables	**–**	15,555
Proceed from disposal of a club membership	**–**	840
Proceed from disposal of plant and equipment	**–**	49
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	**67,555**	(29,123)
FINANCING ACTIVITIES		
Proceeds from issue of shares upon placing, net off issuing expenses	**355,000**	–
Repayments of other loans	**(3,103)**	(8,522)
Repayment to an associate	**(2,900)**	(191)
Interest paid	**(862)**	(3,259)
Repayments of obligation under a finance lease	**(419)**	(522)
Finance lease charges paid	**(64)**	(30)
Other loans raised	**–**	1,803
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**347,652**	(10,721)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**381,758**	3,759
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**12,311**	8,552
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**394,069**	12,311
Cash and cash equivalents at the end of the year, represented by:		
Bank balances and cash	**394,069**	12,311

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL

PME Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" of the annual report.

The functional currency of the Company and its subsidiaries is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in HK$.

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in manufacture and trading of polishing materials and equipment, trading of equity securities, investment in terminal and logistics services business and investment holding. The Company acts as an investment holding company. Details of the principal activities of the subsidiaries are set out in Note 40.

2. RESTATEMENTS OF PRIOR YEAR FIGURES

Restatements of the consolidated financial statements for the year ended 31 December 2012.

Before 1 January 2013, the Group's interests in its joint ventures were proportionately consolidated. Hong Kong Financial Reporting Standard ("HKFRS") 11 does not permit proportionate consolidation of joint ventures and requires equity accounting. The Group has applied the new policy for interests in joint ventures on or after 1 January 2012 in accordance with the transition provisions of HKFRS 11. The Group recognised its interests in joint ventures at the beginning of the earliest period presented (1 January 2012), as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This is the deemed cost of the Group's interests in joint ventures for applying equity accounting.

2. RESTATEMENTS OF PRIOR YEAR FIGURES (Continued)

Summary of the effect of restatements to prior year figures on the consolidated statement of financial position as at 1 January 2012 and 31 December 2012:

	As at 1/1/2012 (originally stated) HK$'000	Adjustments HK$'000	As at 1/1/2012 (restated) HK$'000	As at 31/12/2012 (originally stated) HK$'000	Adjustments HK$'000	As at 31/12/2012 (restated) HK$'000
Non-current assets						
Plant and equipment	461,521	(448,988)	12,533	684,988	(680,113)	4,875
Investment property	5,200	–	5,200	–	–	–
Prepaid lease payments	18,624	(18,624)	–	18,552	(18,552)	–
Available-for-sale investments	41,038	–	41,038	2,500	–	2,500
Goodwill	39,949	(39,949)	–	39,949	(39,949)	–
Sea use rights	111,452	(111,452)	–	111,068	(111,068)	–
Interests in associates	155,616	–	155,616	76,844	–	76,844
Interests in joint ventures	–	476,936	476,936	–	676,075	676,075
Deposits for acquisition of plant and equipment	–	–	–	1,821	(1,821)	–
Club debentures	350	–	350	350	–	350
	833,750	(142,077)	691,673	936,072	(175,428)	760,644
Current assets						
Inventories	25,509	(3,110)	22,399	22,642	(4,248)	18,394
Trade receivables, other receivables, deposits and prepayments	92,721	(56,097)	36,624	182,343	(102,731)	79,612
Convertible bonds designated as financial assets at fair value through profit or loss	45,179	–	45,179	–	–	–
Amounts due from associates	19,791	–	19,791	–	–	–
Amount due from a joint venture	–	35	35	–	294	294
Loan receivables	21,351	–	21,351	–	–	–
Prepaid lease payments	414	(414)	–	422	(422)	–
Held for trading investments	10,010	–	10,010	3,163	–	3,163
Deposits placed with financial institutions	173	–	173	126	–	126
Pledged bank deposit	63,046	(63,046)	–	–	–	–
Bank balances and cash	149,024	(140,472)	8,552	127,599	(115,288)	12,311
	427,218	(263,104)	164,114	336,295	(222,395)	113,900

2. RESTATEMENTS OF PRIOR YEAR FIGURES (Continued)

Summary of the effect of restatements to prior year figures on the consolidated statement of financial position as at 1 January 2012 and 31 December 2012: (Continued)

	As at 1/1/2012 (originally stated)	Adjustments	As at 1/1/2012 (restated)	As at 31/12/2012 (originally stated)	Adjustments	As at 31/12/2012 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities						
Trade and other payables and accruals	167,564	(139,700)	27,864	132,949	(94,063)	38,886
Amount due to an associate	–	–	–	34,900	–	34,900
Taxation payable	41,599	(4,336)	37,263	42,786	(5,483)	37,303
Obligation under finance leases	568	(45)	523	18,212	(17,819)	393
Bank and other loans	91,908	(73,386)	18,522	20,363	(8,560)	11,803
Amount due to a fellow subsidiary of a partner of a joint venture	–	–	–	74,760	(74,760)	–
Convertible bonds	–	–	–	94,410	–	94,410
	301,639	(217,467)	84,172	418,380	(200,685)	217,695
Net current assets (liabilities)	125,579	(45,637)	79,942	(82,085)	(21,710)	(103,795)
Total assets less current liabilities	959,329	(187,714)	771,615	853,987	(197,138)	656,849
Capital and reserves						
Share capital	50,842	–	50,842	94,042	–	94,042
Reserves	467,447	–	467,447	552,221	–	552,221
Equity attributable to owners of the Company	518,289	–	518,289	646,263	–	646,263
Non-controlling interests	975	–	975	845	–	845
Total equity	519,264	–	519,264	647,108	–	647,108
Non-current liabilities						
Obligation under finance leases	392	–	392	76,414	(76,414)	–
Bank and other loans	10,633	(10,633)	–	95,722	(95,722)	–
Port construction fee refund	151,793	(151,793)	–	–	–	–
Convertible bonds	194,301	–	194,301	–	–	–
Promissory note	55,243	–	55,243	–	–	–
Deferred tax liabilities	27,703	(25,288)	2,415	34,743	(25,002)	9,741
	440,065	(187,714)	252,351	206,879	(197,138)	9,741
	959,329	(187,714)	771,615	853,987	(197,138)	656,849

2. RESTATEMENTS OF PRIOR YEAR FIGURES (Continued)

Summary of the effect of restatements to prior year figures on consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012:

	For the year ended 31 December 2012		
	Originally stated	**Adjustments**	**Restated**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	406,288	(300,921)	105,367
Revenue	380,661	(300,921)	79,740
Cost of sales	(242,292)	161,420	(80,872)
Gross profit (loss)	138,369	(139,501)	(1,132)
Other income	7,199	(2,235)	4,964
Selling and distribution expenses	(5,675)	355	(5,320)
Administrative expenses	(61,294)	25,730	(35,564)
Gain on disposal of subsidiaries	6,678	–	6,678
Loss on partial disposal of an associate	(12,742)	–	(12,742)
Loss on disposal of an associate	(10,898)	–	(10,898)
Loss on disposal of available-for-sale investments	(3,106)	–	(3,106)
Gain on disposal of held for trading investments	9,514	–	9,514
Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss	(7,366)	–	(7,366)
Decrease in fair value of held for trading investments	(177)	–	(177)
Share of results of an associate	(7,114)	–	(7,114)
Share of results of joint ventures	–	97,983	97,983
Finance costs	(32,834)	3,414	(29,420)
Profit before taxation	20,554	(14,254)	6,300
Taxation	(22,982)	14,254	(8,728)
Loss for the year	(2,428)	–	(2,428)

2. RESTATEMENTS OF PRIOR YEAR FIGURES (Continued)

Summary of the effect of restatements to prior year figures on consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012: (Continued)

	For the year ended 31 December 2012		
	Originally stated *HK$'000*	**Adjustments** *HK$'000*	**Restated** *HK$'000*
Loss for the year	(2,428)	–	(2,428)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation	11,460	(10,475)	985
Share of other comprehensive income of an associate	399	–	399
Share of other comprehensive income of joint ventures	–	10,475	10,475
Transfer of investment revaluation reserve to profit or loss upon realisation of available-for-sale investments during the year	33	–	33
Transfer of investment revaluation reserve to profit or loss upon disposal of an associate during the year	(175)	–	(175)
Other comprehensive income for the year (net of tax)	11,717	–	11,717
Total comprehensive income for the year	9,289	–	9,289
Total comprehensive income (expenses) attributable to:			
Owners of the Company	9,291	–	9,291
Non-controlling interests	(2)	–	(2)
	9,289	–	9,289

2. RESTATEMENTS OF PRIOR YEAR FIGURES (Continued)

Summary of the effect of restatements to prior year figures on cash flows for the year ended 31 December 2012:

	For the year ended 31 December 2012		
	Originally stated	**Adjustments**	**Restated**
	HK$'000	*HK$'000*	*HK$'000*
Net cash inflow from operating activities	69,178	(25,575)	43,603
Net cash outflow from investing activities	(11,240)	(17,883)	(29,123)
Net cash outflow from financing activities	(79,337)	68,616	(10,721)
Net cash (outflow) inflow	(21,399)	25,158	3,759

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

* IFRIC represents the International Financial Reporting Interpretations Committee.

Except as described below, the application of the new and revised HKFRSs in current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation* and recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (revised 2011) and HKAS 28 (revised 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (revised 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

Impact on the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee if and only if has (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee and (c) the ability to use its power over the investee to affect the amount of the investor's returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusion.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC) – Int13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

Impact of the application of HKFRS 11 (Continued)

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investments in Shanghai PME-XINHUA Polishing Materials Systems ("Shanghai PME-XINHUA") and Rizhao Lanshan Wansheng Harbour Company Limited ("Rizhao Lanshan"), which were classified as jointly controlled entities under HKAS 31 and was accounted for using the proportionate consolidation method, should be classified as joint ventures under HKFRS 11 and accounted for using the equity method.

The change in accounting of the Group's investments in Shanghai PME-XINHUA and Rizhao Lanshan has been applied in accordance with the relevant transitional provisions set out in HKFRS 11. The initial investment as at 1 January 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see the tables in note 2 for details). Also, the directors of the Company performed an impairment assessment on the initial investment as at 1 January 2012 and concluded that no impairment loss is required. Comparative amounts for 2012 have been restated to reflect the change in accounting for the Group's investments in Shanghai PME-XINHUA and Rizhao Lanshan.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements and associates. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

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

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

3. APPLICATION OF NEW AND REVISED HKFRSS (Continued)

Annual Improvements to HKFRSs 2010-2012 Cycle (Continued)

The amendments to HKFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

New and revised HKFRSs issued but not yet effective

Annual Improvements to HKFRSs 2010-2012 Cycle

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

3. APPLICATION OF NEW AND REVISED HKFRSS (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2011-2013 Cycle (Continued)

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

3. APPLICATION OF NEW AND REVISED HKFRSSS (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investment in unlisted equity securities classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in fair value being recognised in profit or loss.)

Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

3. APPLICATION OF NEW AND REVISED HKFRSS (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related cash generating unit. Furthermore, the amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is catergorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;

- each key assumption on which management has based its determination of fair value less costs of disposal; and

- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present valuation technique.

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied, and require retrospectively application.

The directors of the Company anticipate that the application of the amendments to HKAS 36 may result in additional disclosures being made with regard to the impairment assessment on non-financial assets.

HK(IFRIC) – Int 21 Levies

HK(IFRIC) – Int 21 provides guidance on when to recognise a liability for a levy imposed by a government for levies that are accounted for in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and levies where the timing and amount is certain. Under HK(IFRIC) – Int 21, a liability is recognised for a levy when the activity that triggers payment as identified by the relevant legislation occurs. HK(IFRIC) – Int 21 excludes income tax within the scope of HKAS 12 Income Taxes, fines and other penalties.

HK(IFRIC) – Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted and require retrospective application. In the opinion of the directors of the Company, the application of HK(IFRIC) – Int 21 will not have material impact on the Group's consolidated financial statements.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

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

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

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

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

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income is recognised on a straight-line basis over the period of the relevant lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rates applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment (Continued)

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible asset

Intangible asset with indefinite useful lives that are acquired separately (including club debentures) are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

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

Leasing

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 to 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.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective basis for debt instruments other than those financial assets classified as at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the change in fair value of convertible bonds designated at financial assets at FVTPL in the consolidated statement of profit or loss.

Convertible bonds

Convertible bonds acquired by the Group (including related embedded derivatives) are designated as financial assets at fair value through profit or loss on initial recognition. At the end of the reporting period subsequent to initial recognition, the entire convertible bonds are measured at fair value, with changes in fair values recognised directly in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, deposits, amounts due from associates, amount due from a joint venture, deposits placed with financial institutions and bank balances and cash) are carried at amortised cost, using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as AFS and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, amounts due from an associate and loan receivables where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables, amount due from an associate, amount due from a joint venture and loan receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables and accruals, convertible bonds, amount due to an associate, other loans and obligation under finance leases are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds containing liability and equity components

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible bonds containing liability and equity components (Continued)

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible bonds reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets and intangible asset

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets and intangible asset (Continued)

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interest as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax is recognised in profit or loss.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits or losses.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the entity's accounting polices

Significant influence over Chinese Strategic Holdings Limited (formerly known as China Railway Logistics Limited) ("Chinese Strategic")

Note 21 describes that Chinese Strategic is an associate of the Group although the Group only owns 9.96% ownership interest in Chinese Strategic. The Group has significant influence over Chinese Strategic because two executive directors of the Company are also executive directors of Chinese Strategic.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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

Estimated impairment loss on interests in associates

Determining whether interests in associates are impaired requires an estimation of the return and realisation of the interest in the associates in order to calculate the recoverable amounts. Where the estimated returns and proceeds from realisation are less than expected, a material impairment loss may arise. As at 31 December 2013 and 2012, the carrying amount of the interests in associates is approximately HK$76,269,000 and HK$76,844,000 respectively. Impairment assessment had been carried out at the end of the reporting date on the associate in its entirety. In the opinion of the directors, no impairment loss was recognised as at 31 December 2013 and 2012.

Useful lives of plant and equipment

In applying the accounting policy on plant and equipment with respect to depreciation, management estimates the useful lives of various categories of plant and equipment according to the industrial experiences over the usage of plant and equipment and also by reference to the relevant industrial norm. When the actual useful lives of plant and equipment due to the change of commercial environment are different from their estimated useful lives, such difference will impact the depreciation charges and the amounts of assets written down for future periods. As at 31 December 2013, the carrying amount of plant and equipment is approximately HK$1,674,000 (net of accumulated depreciation of approximately HK$3,100,000) (2012: carrying amount of approximately HK$4,875,000, net of accumulated depreciation of approximately HK$19,984,000).

Estimated impairment loss on trade and other receivables

The Group makes impairment loss based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or change in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. In determining whether impairment loss on receivables is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of the counterparties of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. As at 31 December 2013, the carrying amount of trade receivables is approximately HK$35,936,000 (net of accumulated impairment loss of approximately HK$9,339,000) (2012: carrying amount of approximately HK$35,150,000, net of accumulated impairment loss of approximately HK$9,192,000). As at 31 December 2013, the carrying amount of other receivables is approximately HK$5,553,000 (2012: HK$44,462,000).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated allowance for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. As at 31 December 2013, the carrying amount of inventories is approximately HK$4,585,000, net of accumulated allowance of approximately HK$11,405,000 (2012: carrying amount of approximately HK$18,394,000, net of accumulated allowance of approximately HK$12,937,000).

Estimated impairment loss on available-for-sale investments

In determining whether there is objective evidence of impairment in relation to the Group's available-for-sale investments in equity securities, the Group takes into consideration significant or prolonged decline in the market prices below the respective costs. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated statement of profit or loss. As at 31 December 2012 and 2013, the carrying amount of available-for-sale investments is approximately of HK$2,500,000.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 7 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes other loans, obligation under a finance lease, and convertible bonds disclosed in respective notes, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the new share issues and the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31 December 2013 HK$'000	31 December 2012 HK$'000 (Restated)
Financial assets		
Loans and receivables (including bank balances and cash)	**435,550**	91,815
Available-for-sale investments	**2,500**	2,500
FVTPL		
– Held for trading investments	**–**	3,163
– Financial assets designated at fair value through profit or loss	**34,529**	–
	472,579	97,478
Financial liabilities at amortised cost		
Convertible bonds	**–**	94,410
Other financial liabilities	**87,722**	85,982
	87,722	180,392

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, held for trading investments, convertible bonds designated as financial assets at fair value through profit or loss, amount due from a joint venture, deposits placed with a financial institution and bank balances and cash, trade receivables, other receivables and deposits, trade and other payables and accruals, obligation under finance leases, convertible bonds, amount due to an associate and other loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner, which are discussed below.

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(i) Market risk

Currency risk

Several subsidiaries have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 45% (2012: 42%) of the Group's sales and approximately 40% (2012: 48%) of the Group's purchases are denominated in currencies other than the functional currency of the group entities. The Group also has bank balances, trade receivables and trade payables denominated in foreign currencies. Since the fluctuation of HK$ against United States dollar ("USD") are minimal under the Linked Exchange Rate System, the management consider the Group mainly expose to the currency of Euro, Japanese Yen and RMB.

The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group currently has not entered into any foreign currency forward contracts to hedge against foreign currency risk. Management will consider hedging foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, at the reporting dates are as follows:

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Assets		
USD	**879**	782
Japanese Yen	**1,456**	1,527
Euro	**690**	456
RMB	**8,788**	6,484
	11,813	9,249
Liabilities		
USD	**94**	24
Japanese Yen	**3,761**	3,481
Euro	**2,292**	2,573
RMB	**4**	6
	6,151	6,084

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in HK$ against relevant foreign currencies. 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for 5% (2012: 5%) change in foreign currency rates. A positive number indicates increase in post-tax profit (2012: a decrease in post-tax loss) for the year when HK$ strengthens 5% (2012: 5%) against the relevant foreign currencies. For a 5% (2012: 5%) weakening of HK$ against the relevant currencies, there would be an equal but opposite impact on the loss for the year.

	2013 ***HK$'000***	2012 *HK$'000* (Restated)
Japanese Yen	**281**	64
Euro	**70**	72

Fair value and cash flow interest rate risk

The Group has significant deposits placed with financial institutions, bank balances, other loans, obligation under finance leases and convertible bonds which bear interest rate risk. Deposits placed with financial institutions, bank balances and margin loans, at variable rates expose the Group to cash flow interest-rate risk. Certain other loans, obligation under finance leases and convertible bonds at fixed rates expose the Group to fair value interest-rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risk.

Sensitivity analysis

At the end of the reporting period, assuming the variable rate deposits placed with financial institutions, bank balances and other loans had been outstanding for the whole year, if interest rates had increased by 200 basis points (2012: 200 basis points) and all other variables were held constant, there was a increase in post-tax profit by approximately HK$1,861,000 (2012: HK$213,000). If interest rates had decreased by 200 basis points (2012: 200 basis points), there would be an equal but opposite impact on the profit/loss for the year. A 200 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Other price risk

The Group is exposed to other price risk through its investments in listed equity securities. The Group has appointed a special team to monitor the price risk by diversifying the investment portfolio.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to other price risks at the reporting date. If the prices of the respective equity instruments had been 30% (2012: 30%) higher/lower:

– post-tax profit for the year ended 31 December 2013 would increase by approximately HK$3,264,000 (2012: post-tax loss would increase by approximately HK$792,000) or decrease by approximately HK$263,000 (2012: post-tax loss would decrease by approximately HK$792,000) as a result of the changes in fair value of held for trading investments and convertible bonds designated as financial assets at fair value through profit or loss; and

(ii) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 December 2013, the Group had certain concentration of credit risk as 19% (2012: 6%) and 43% (2012: 16%) of the total trade receivables were due from the Group's largest and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 19% (2012: 23%) of the total trade receivables as at 31 December 2013.

However, the directors of the Company consider the credit risk is under control since the management exercise due care in granting credit and checking the financial background of these counterparties on a regular basis.

The credit risk for bank balances and deposits placed with financial institutions are considered minimal as such amounts are placed with banks and financial institutions with good credit ratings.

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(iii) Liquidity risk

The Group's liquidity position is monitored closely by the management of the Group. The Group relies on other loans, amount due to an associate, obligation under a finance lease and the issuance of convertible bonds as a significant source of liquidity. Details of the Group's amount due to an associate, obligation under finance leases, other loans and convertible bonds are set out in Notes 38, 29, 30 and 31 respectively. The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities in accordance with the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Within 1 year	1-2 years	3-5 years	Total undiscounted cash flows	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2013					
Trade and other payables and accruals	**45,731**	**–**	**–**	**45,731**	**45,731**
Obligation under a finance lease	**583**	**583**	**189**	**1,355**	**1,291**
Amount due to an associate	**32,000**	**–**	**–**	**32,000**	**32,000**
Other loans	**8,981**	**–**	**–**	**8,981**	**8,700**
	87,295	**583**	**189**	**88,067**	**87,722**
As at 31 December 2012 (restated)					
Trade and other payables and accruals	38,886	–	–	38,886	38,886
Obligation under a finance lease	423	–	–	423	393
Amount due to an associate	34,900	–	–	34,900	34,900
Other loans	12,126	–	–	12,126	11,803
Convertible bonds	96,753	–	–	96,753	94,410
	183,088	–	–	183,088	180,392

7. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined. (in particular, the valuation technique(s) and inputs used).

Financial assets/ liabilities	Fair value as at 2013 *HK$'000*	Fair value hierarchy	Valuation technique and key inputs
Convertible bonds designated as financial assets at fair value through profit or loss	34,529	Level 2	Binomial Option Pricing Model Binomial Option Pricing Model is employed in deriving the fair value of the convertible bonds. The main inputs include term to maturity, dividend yield, risk-free rate, credit risk rate of the issuer, spot price as of the valuation date, exercise price and expected volatility of stock price

There were no transfers between Level 1 and 2 in both years.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the Group's consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

(iii) As at 31 December 2012, the held for trading investments were grouped into level 1 as their fair values were derived from quoted prices in active market.

8. TURNOVER

Turnover represents the amounts received and receivable from sales of polishing materials and equipment, and gross proceeds from sales of held for trading investments during the year. An analysis of the Group's turnover for the year is as follows:

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Sales of polishing materials and equipment	**80,297**	79,740
Gross proceeds from sales of held for trading investments	**3,917**	25,627
	84,214	105,367

9. SEGMENT INFORMATION

Information reported to the board of directors of the Company ("Board of Directors"), being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the nature of the operations of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Polishing materials and equipment	–	sales of polishing materials and equipment
Terminal and logistics services	–	loading and discharging services, storage services, and leasing of terminal facilities and equipment
Investment	–	investments in held for trading investments, convertible bonds, available-for-sale investments and associates

Information regarding the above segments is reported below.

9. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment:

	Revenue		Segment result	
	For the year ended 31 December			
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Revenue				
Polishing materials and equipment	**80,297**	79,740	**(19,338)**	(22,627)
Terminal and logistics services	**–**	–	**174,528**	96,756
Investment	**–**	–	**(16,162)**	(18,956)
	80,297	79,740	**139,028**	55,173
Unallocated corporate expenses			**(23,333)**	(29,462)
Unallocated other income and gain			**6,179**	9,854
Unallocated finance costs			**(1,948)**	(29,265)
Profit before taxation			**119,926**	6,300

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment profit (loss) represents the profit (loss) from each segment without allocation of certain other income, central administration costs, directors' salaries and certain finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

9. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

As at 31 December 2013

	Polishing materials and equipment *HK$'000*	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	**51,655**	**1,012,893**	**118,458**	**1,183,006**
Unallocated corporate assets				**185,510**
Consolidated total assets				**1,368,516**
LIABILITIES				
Segment liabilities	**12,286**	**–**	**41,803**	**54,089**
Unallocated corporate liabilities				**89,335**
Consolidated total liabilities				**143,424**

9. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

As at 31 December 2012 (restated)

	Polishing materials and equipment *HK$'000*	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	68,562	666,184	126,047	860,793
Unallocated corporate assets				13,751
Consolidated total assets				874,544
LIABILITIES				
Segment liabilities	11,042	–	40,748	51,790
Unallocated corporate liabilities				175,646
Consolidated total liabilities				227,436

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reporting segments other than certain other receivables, club debentures and bank balances and cash.

- all liabilities are allocated to reportable segments other than certain other payables, convertible bonds, other loans, taxation payable and deferred tax liabilities.

9. SEGMENT INFORMATION (Continued)

Other segment information

As at 31 December 2013

	Polishing materials and equipment HK$'000	Terminal and logistics services HK$'000	Investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	500	–	994	–	1,494
Reversal of allowance for inventories (included in cost of sales)	(1,897)	–	–	–	(1,897)
Allowance for inventories	365	–	–	–	365
Depreciation of plant and equipment	1,739	–	128	–	1,867
Interest on margin loans	–	–	10	–	10
Finance lease charges	64	–	–	–	64
Increase in fair value of convertible bonds designated as financial assets at FVTPL	–	–	(2,529)	–	(2,529)
Gain on disposal of held for trading investments	–	–	(754)	–	(754)
Interest income from banks and financial institutions	–	–	–	(1,817)	(1,817)
Interest income from convertible bonds designated as financial assets at FVTPL	–	–	(1,070)	–	(1,070)
Impairment loss on trade receivables	1,707	–	–	–	1,707
Written off of plant and equipment	2,828	–	–	–	2,828
Interest in an associate	–	–	76,269	–	76,269
Interests in joint ventures	9,726	802,893	–	–	812,619
Share of result of an associate	–	–	2,233	–	2,233
Share of results of joint ventures	(723)	(174,528)	–	–	(175,251)
Gain on disposal of a subsidiary	–	–	–	(1,760)	(1,760)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Effective interest expenses on convertible bonds	–	–	–	1,096	1,096
Finance cost on other loans	–	–	–	852	852
Income tax expense	97	11,222	100	–	11,419

9. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

As at 31 December 2012 (restated)

	Polishing materials and equipment *HK$'000*	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	36	–	–	–	36
Reversal of allowance for inventories (included in cost of sales)	(749)	–	–	–	(749)
Allowance for inventories	4,956	–	–	–	4,956
Decrease in fair value of held for trading investments	–	–	177	–	177
Interest income from banks and financial institutions	–	–	–	(11)	(11)
Depreciation of plant and equipment	3,796	–	70	–	3,866
Impairment loss on trade receivables	4,169	–	–	–	4,169
Interest on margin loans	–	–	125	–	125
Interest income from loan receivables	(687)	–	–	–	(687)
Interest income from amount due from an associate	–	–	(1,101)	–	(1,101)
Finance lease charges	30	–	–	–	30
Loss on disposal of an associate	–	–	10,898	–	10,898
Loss on disposal of available-for-sale investments	–	–	3,106	–	3,106
Decrease in fair value of convertible bonds designated as financial assets at FVTPL	–	–	7,366	–	7,366
Interests in associates	–	–	76,844	–	76,844
Interest in joint ventures	9,891	666,184	–	–	676,075
Loss on disposal of plant and equipment	–	–	39	–	39
Written off of plant and equipment	3,740	–	–	–	3,740
Gain on disposal of subsidiaries	–	–	–	(6,678)	(6,678)
Loss on partial disposal of an associate	–	–	12,742	–	12,742
Share of result of joint ventures	1,227	96,756	–	–	97,983
Share of loss of an associate	–	–	7,114	–	7,114
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Effective interest expenses on convertible bonds	–	–	–	20,592	20,592
Effective interest expenses on promissory note	–	–	–	7,339	7,339
Finance cost on other loans	–	–	–	1,334	1,334
Income tax expense	80	8,648	–	–	8,728

Note: Non-current assets excluded financial instruments.

9. SEGMENT INFORMATION (Continued)

Geographical information

The Group's polishing materials and equipment division is mainly located in Hong Kong (country of domicile) and the PRC. Terminal and logistics services division is located in the PRC. Investment division is located in Hong Kong.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of customers:

	Revenue	
	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Hong Kong	**35,331**	37,096
The PRC	**31,316**	30,138
Other Asian regions	**6,744**	6,154
North America and Europe	**986**	1,236
Other countries	**5,920**	5,116
	80,297	79,740

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2013	2012
	HK$'000	*HK$'000*
		(Restated)
PRC	**812,619**	676,075
Hong Kong	**78,293**	82,069
	890,912	758,144

Note: Non-current assets excluded available-for-sale investments.

Information about major customers

The Group did not have customer with whom transactions have exceeded 10% of the Group's aggregate revenue during 2013 and 2012.

10. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Interest income from banks and financial institutions	**1,817**	11
Interest income from loan receivables	**–**	687
Interest income from amount due from an associate	**–**	1,101
Interest income from convertible bonds designated as financial assets at fair value through profit or loss	**1,070**	–
Net foreign exchange gains	**505**	124
Rental income	**1,842**	1,509
Gain on disposal of a club membership	**–**	840
Sundry income	**255**	692
	5,489	4,964

11. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Interests on other loans wholly repayable within five years	**852**	1,334
Finance lease charges	**64**	30
Interest on margin loans	**10**	125
Effective interest expenses on convertible bonds	**1,096**	20,592
Effective interest expenses on promissory note wholly repayable within five years	**–**	7,339
Total borrowing costs	**2,022**	29,420

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12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the thirteen (2012: twelve) directors and the chief executive were as follows:

For the year ended 31 December 2013

Name of director	Fees	Salaries and other benefits	Discretionary bonus *(Note xi)*	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Wong Lik Ping	–	1,000	200	3	1,203
Mr. Lai Ka Fai	–	1,160	250	15	1,425
Mr. Wang Liang	–	700	200	18	918
Mr. Shi Chong	–	774	113	15	902
Ms. Yeung Sau Han Agnes	–	260	100	13	373
Ms. Chan Shui Sheung Ivy	–	260	100	13	373
Mr. Feng Gang *(Note viii)*	–	160	200	3	363
Non-executive Director					
Mr. Cheng Kwok Woo	–	1,016	100	51	1,167
Independent Non-executive Directors					
Mr. Goh Choo Hwee	180	–	50	–	230
Mr. U Keng Tin *(Note ix)*	116	–	50	–	166
Mr. Leung Yuen Wing *(Note x)*	80	–	–	–	80
Mr. Ho Hin Yip	180	–	50	–	230
Mr. Lam Kwok Hing Wilfred	180	–	50	–	230
Total for the year 2013	736	5,330	1,463	131	7,660

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (Continued)

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 December 2012

Name of director	Fees	Salaries and other benefits	Discretionary Bonus *(Note xi)*	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Wong Lik Ping *(Note v)*	–	–	–	–	–
Mr. Lai Ka Fai *(Note i)*	–	1,026	90	14	1,130
Mr. Wang Liang *(Note vi)*	–	–	49	1	50
Mr. Shi Chong *(Note vi)*	–	–	63	–	63
Mr. Cheng Kwok Woo *(Note iv)*	–	593	–	30	623
Ms. Yeung Sau Han Agnes	–	240	20	12	272
Ms. Chan Shui Sheung Ivy	–	360	30	19	409
Non-executive Director					
Mr. Cheng Kwok Woo *(Note iv)*	–	437	–	20	457
Independent Non-executive Directors					
Mr. Goh Choo Hwee *(Note ii)*	172	–	–	–	172
Mr. Chow Fu Kit Edward *(Note iii)*	15	–	–	–	15
Mr. Ho Hin Yip *(Note vii)*	–	–	5	–	5
Mr. Leung Yuen Wing *(Note x)*	180	–	–	–	180
Mr. Lam Kwok Hing Wilfred	180	–	–	–	180
Total for the year 2012	547	2,656	257	96	3,556

Ms. Yeung Sau Han Agnes is also the chief executive of the Company and the emoluments disclosed above include those for services rendered by her as the chief executive.

No directors and chief executive waived or agreed to waive any emoluments in the two years ended 31 December 2013 and 2012.

Note i: Mr. Lai Ka Fai was appointed as an executive director on 18 January 2012.

Note ii: Mr. Goh Choo Hwee was appointed as an independent non-executive director on 18 January 2012.

Note iii: Mr. Chow Fu Kit Edward resigned as an independent non-executive director on 31 January 2012.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (Continued)

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Note iv: Mr. Cheng Kwok Woo was re-designated from executive director to non-executive director on 9 August 2012.

Note v: Mr. Wong Lik Ping was appointed as an executive director on 9 August 2012.

Note vi: Mr. Wang Liang and Mr. Shi Chong were appointed as an executive director on 4 December 2012.

Note vii: Mr. Ho Hin Yip was appointed as an independent non-executive director on 21 December 2012.

Note viii: Mr. Feng Gang was appointed as an executive director on 1 November 2013.

Note ix: Mr. U Keng Tin was appointed as an independent non-executive director on 10 May 2013.

Note x: Mr. Leung Yuen Wing was retired as an independent non-executive director on 11 June 2013.

Note xi: The discretionary bonus is based on operating appraisal results and basic salary of each director with reference to the appraisal grade and scores for the annual operating results of enterprise representative.

(B) EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2012: two) were directors of the Company whose emoluments are included in the disclosures in Note 12(A) above. The emoluments of the remaining one (2012: three) highest paid individuals were as follows:

	2013	2012
	HK$'000	*HK$'000*
Salaries and other benefits	**1,062**	2,384
Retirement benefits scheme contributions	**51**	74
	1,113	2,458

The emoluments fell within the following bands:

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

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

13. TAXATION

	2013 HK$'000	2012 HK$'000 (Restated)
The charge comprises:		
Current taxation		
– Hong Kong Profits Tax	**38**	80
– PRC Enterprise Income Tax	**100**	–
– Withholding tax for dividend from PRC joint ventures	**2,711**	1,322
	2,849	1,402
Deferred taxation *(Note 33)*	**8,570**	7,326
	11,419	8,728

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC establishment is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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13. TAXATION (Continued)

The tax charge for the year can be reconciled to the profit before taxation in the consolidated statement of profit or loss as follows:

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Profit before taxation	**119,926**	6,300
Tax at Hong Kong Profits Tax rate of 16.5% (2012: 16.5%)	**19,788**	1,040
Tax effect of share of results of joint ventures	**(28,916)**	(16,167)
Tax effect of share of results of associates	**368**	1,174
Tax effect of expenses not deductible for tax purpose	**1,531**	2,273
Tax effect of income not taxable for tax purpose	**(602)**	(432)
Tax effect of tax loss not recognised	**3,899**	2,714
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,604**	8,861
Tax effect of unrecognised deductible temporary difference	**466**	617
Tax effect of withholding tax at 10% on the distributable profits of the Group's PRC joint ventures	**11,281**	8,648
Tax charge for the year	**11,419**	8,728

The domestic tax rate in Hong Kong is used as it is where the operation of the Group is substantially based.

Details of deferred tax liabilities are shown in note 33.

14. PROFIT (LOSS) FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Profit (loss) for the year has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	**19,148**	11,707
Contributions to retirement benefits schemes	**547**	381
	19,695	12,088
Depreciation of plant and equipment	**1,867**	3,866
Auditors' remuneration	**800**	1,050
Impairment loss on trade receivables	**1,707**	4,169
Reversal of allowance for inventories (included in cost of sales)	**(1,897)**	(749)
Share of tax of joint ventures	**16,739**	14,250
Share of tax of an associate	**155**	(64)
Allowance for inventories (included in cost of sales)	**365**	4,956
Written off of plant and equipment	**2,828**	3,740
Loss on disposal of plant and equipment	**–**	39
Cost of inventories recognised as expenses	**85,166**	76,665
Minimum lease payment in respect of rental premises	**2,021**	922

15. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

16. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Profit (loss)		
Profit (loss) for the year attributable to owners of the Company for the purposes of basic earnings (loss) per share	**108,507**	(2,426)

Number of shares

	2013	2012
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**11,779,709**	6,557,640

	2013	2012
Basic earnings (loss) per share (in HK cents)	**0.92**	(0.04)
Diluted earnings (loss) per share (in HK cents)	**0.92**	(0.04)

Diluted earnings (2012: loss) per share is the same as the basic earnings (2012: loss) per share. The computation of diluted earnings (2012: loss) per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings (2012: a decrease in loss) per share for 2013.

The computation of diluted profit (loss) per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both 2013 and 2012.

17. PLANT AND EQUIPMENT

	Plant and machinery HK$'000 (Restated)	Leasehold improvements, furniture and fixtures HK$'000 (Restated)	Motor vehicles HK$'000 (Restated)	Total HK$'000 (Restated)
AT COST				
At 1 January 2012	31,959	10,766	3,556	46,281
Additions	14	22	–	36
Disposals	(95)	–	(467)	(562)
Written off	(20,896)	–	–	(20,896)
At 31 December 2012 and 1 January 2013	10,982	10,788	3,089	24,859
Additions	156	21	1,317	1,494
Written off	(10,915)	(10,664)	–	(21,579)
At 31 December 2013	**223**	**145**	**4,406**	**4,774**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2012	21,327	10,316	2,105	33,748
Provided for the year	2,944	349	573	3,866
Eliminated on disposals	(68)	–	(406)	(474)
Eliminated on written off	(17,156)	–	–	(17,156)
At 31 December 2012 and 1 January 2013	7,047	10,665	2,272	19,984
Provided for the year	1,100	43	724	1,867
Eliminated on written off	(8,109)	(10,642)	–	(18,751)
At 31 December 2013	**38**	**66**	**2,996**	**3,100**
CARRYING VALUES				
At 31 December 2013	**185**	**79**	**1,410**	**1,674**
At 31 December 2012	3,935	123	817	4,875

17. PLANT AND EQUIPMENT (Continued)

Depreciation on plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Plant and machinery	10 years
Leasehold improvements, furniture and fixtures	3 to 5 years
Motor vehicles	3 to 8 years

The carrying value of motor vehicles include amounts of HK$643,000 (2012: HK$671,000) in respect of assets held under finance leases.

18. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 January 2012	5,200
Disposal of a subsidiary *(Note 35)*	(5,200)
At 31 December 2012,1 January 2013 and 31 December 2013	–

The above investment property was located in Hong Kong and held under medium-term lease.

The investment property was disposed of upon the disposal of subsidiary on 27 March 2012 (Note 35).

19. AVAILABLE-FOR-SALE INVESTMENTS

	2013	2012
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong, at fair value based on quoted market bid price		
Carrying amount at 1 January	**–**	38,538
Disposal of available-for-sale investments	**–**	(38,538)
Carrying amount at 31 December	**–**	–
Unlisted equity securities *(Note (a))*	**2,500**	2,500
	2,500	2,500

Note (a): The investment in unlisted equity securities is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

20. GOODWILL

	HK$'000 (Restated)
COST	
At 1 January 2012	161,008
Eliminated on disposal of a subsidiary *(Note 35)*	(12,817)
At 31 December 2012 and 2013	148,191
ACCUMULATED IMPAIRMENT LOSS	
At 1 January 2012	161,008
Eliminated on disposal of a subsidiary *(Note 35)*	(12,817)
At 31 December 2012 and 2013	148,191
CARRYING VALUES	
At 31 December 2013	–
At 31 December 2012	–

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.

Goodwill of HK$148,191,000 allocated to the investment segment was fully impaired.

21. INTERESTS IN ASSOCIATES

	2013 HK$'000	2012 HK$'000
Cost less accumulated impairment of investment in associates		
– Listed in Hong Kong	**148,843**	148,843
– Unlisted	**–**	–
Share of post-acquisition results and other comprehensive income	**(72,574)**	(71,999)
	76,269	76,844
Fair value of listed investments	**14,805**	14,805

Chinese Strategic

The directors of the Company are of the opinion that the Group is able to exercise significant influence over the financing and operating policy decision of Chinese Strategic through the appointment of certain directors of the Company as directors of Chinese Strategic. The Group would be able to exercise significant influence with over 20% voting rights in the board of directors of Chinese Strategic throughout the year. Accordingly, the investment in Chinese Strategic is classified as an associate.

As at 31 December 2013 and 2012, the Group held approximately 9.96% equity interests in Chinese Strategic, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange.

During the year ended 31 December 2012, the Group partially disposed of its interest in Chinese Strategic at a net consideration of approximately HK$3,170,000 and resulted in a loss of partial disposal of approximately HK$12,742,000.

Express Advantage Limited ("Express Advantage")

During the year ended 31 December 2012, the Group had entered into an agreement to dispose of its 20% equity interest in Express Advantage and sales loan with carrying amounts of approximately HK$17,898,000 to an independent third party (included in amounts due from associates), at a cash consideration of HK$7,000,000. The transaction resulted in a loss on disposal of an associate of approximately HK$10,898,000.

Giant Billion Limited ("Giant Billion")

During the year ended 31 December 2012, the Group had entered into an agreement to dispose of its 100% equity interest in Smart Genius Limited ("Smart Genius"), a wholly-owned subsidiary of the Group with 49% equity interest in Giant Billion. Immediately after the disposal, the Group had no equity interests in Giant Billion. This transaction resulted in a gain on disposal of a subsidiary of approximately HK$6,678,000 and detail is set out in note 35.

21. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2013 and 2012, the Group has interests in the following associates:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of Shares held	Proposition of nominal value of issued capital held by the Group		Principal activities
					2013	2012	
Chinese Strategic	Incorporated	Bermuda	Hong Kong	Ordinary shares	**9.96%**	9.96%	Investment holding

Summarised financial information of Chinese Strategic:

	2013 *HK$'000*	2012 *HK$'000*
Current assets	**431,819**	451,286
Non-current assets	**453,077**	431,826
Current liabilities	**(61,733)**	(57,177)
Non-current liabilities	**(32,525)**	(31,536)
Non-controlling interests	**(24,687)**	(22,681)
Net assets	**765,951**	771,718
Turnover	**94,078**	155,335
Loss for the year	**(22,415)**	(71,458)
Other comprehensive income for the year	**15,298**	4,006
Total comprehensive expenses for the year	**(7,117)**	(67,452)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013 *HK$'000*	2012 *HK$'000*
Net assets	**765,951**	771,718
Proportion of the Group's ownership interest	**76,269**	76,844
Carrying amount of the Group's interest in Chinese Strategic	**76,269**	76,844

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

22. INTERESTS IN JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	2013	2012
	HK$'000	*HK$'000*
Deemed cost of investment in joint ventures		
Unlisted	**594,056**	594,056
Share of post-acquisition profits and other comprehensive income, net of dividends received	**218,563**	82,019
	812,619	676,075

Details of each of the Group's joint ventures at the end of the reporting period are as follow:

Name of entity	Nominal value of registered capital	Form of business structure and country of registration and operation	Proportion of nominal value of registered capital held by the Group		Group's percentage of voting power and profit sharing		Principal activity
			2013	2012	**2013**	2012	
Shanghai PME-XINHUA *(Note a)*	RMB10,000,000	Sino-foreign joint venture company PRC	**60%**	60%	**60%**	60%	Manufacturing and trading of polishing materials
Rizhao Lanshan *(Note b)*	RMB330,000,000 (2012: RMB330,000,000)	Sino-foreign joint venture company PRC	**50%**	50%	**50%**	50%	Loading and discharging services, storage services, leasing of terminal facilities and equipment

Notes:

(a) The Group holds 60% of the registered capital of Shanghai PME-XINHUA, and controls 60% of the voting power in the general meetings. However, under a shareholders' agreement, the major financing and operational decisions of Shanghai PME-XINHUA should be unanimously approved by the Group and another venturer. Therefore, Shanghai PME-XINHUA is regarded as a joint venture of the Group.

(b) The Group indirectly own 50% of the equity interests in Rizhao Lanshan. Rizhao Lanshan is a Sino-foreign joint venture company established in the PRC and engaged in provision of terminal and logistics services including loading and discharging, storage and transfer of iron ore, steel products, timber and other goods and leasing of terminal facilities and equipment in Lanshan Harbour, Rizhao Port, Shandong province of the PRC.

22. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information in respect of each of the Group's material joint ventures is set out below.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2013	2012
	HK$'000	*HK$'000*
Rizhao Lanshan		
Current assets	**388,236**	422,688
Non-current assets	**1,854,996**	1,622,267
Current liabilities	**(321,780)**	(397,578)
Non-current liabilities	**(395,564)**	(394,907)
Net assets	**1,525,888**	1,252,470
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**124,812**	222,034
Current financial liabilities (excluding trade and other payables and provisions)	**(149,297)**	(213,122)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(395,564)**	(394,907)
Turnover	**928,353**	570,270
Profit for the year	**349,056**	193,512
Other comprehensive income for the year	**37,198**	20,602
Total comprehensive income for the year	**386,254**	214,114
Dividends paid by the joint venture during the year	**112,836**	51,324
The above profit for the year include the following:		
Depreciation and amortisation	**(67,773)**	(39,208)
Interest income	**791**	3,859
Interest expense	**(1,841)**	(6,828)
Income tax expense	**(32,549)**	(28,109)

22. INTERESTS IN JOINT VENTURES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Rizhao Lanshan recognised in the consolidated financial statements:

	2013 *HK$'000*	2012 *HK$'000*
Net assets	**1,525,888**	1,252,470
Proportion of the Group's ownership interest in Rizhao Lanshan	**50%**	50%
Proportion of the Group's ownership interest	**762,944**	626,235
Goodwill	**39,949**	39,949
Carrying amount of the Group's interest	**802,893**	666,184

Aggregate information of joint venture that are not individually material

	2013 *HK$'000*	2012 *HK$'000*
The Group's share of post-tax profit	**723**	1,227
The Group's share of other comprehensive income	**(111)**	174
The Group's share of total comprehensive income	**612**	1,401
Carrying amount of the Group's interests in joint ventures	**9,726**	9,891

During the year ended 31 December 2013, 日照港(集團)嵐山港務有限公司, a fellow subsidiary of a partner of a joint venture of the Group, provided a guarantee towards the banking facilities of the Group for null consideration. The Group shared 50% of a maximum guarantee of HK$153,881,000 (2012: HK$153,881,000) towards the banking facilities of 日照港(集團)嵐山港務有限公司 for null consideration during the year ended 31 December 2013.

23. INVENTORIES

	2013 *HK$'000*	2012 *HK$'000* (Restated)
Finished goods	**4,585**	18,394

During the year ended 31 December 2013, a reversal of allowance for inventories of approximately HK$1,897,000 (2012: HK$749,000) had been recognised and included in cost of sales as the corresponding inventories were sold.

24. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013 *HK$'000*	2012 *HK$'000* (Restated)
Trade receivables	**45,275**	44,342
Less: impairment losses on trade receivables	**(9,339)**	(9,192)
Trade receivables net of impairment loss	**35,936**	35,150
Other receivables from investing transactions *(Note)*	**2,733**	42,875
Other receivables, deposits and prepayments	**2,820**	1,587
	41,489	79,612

The Group does not hold any collateral over these balances.

The Group has a policy of allowing credit period of 0 to 90 days to its trade receivables. In addition, for certain customers with long-established relationship and good past repayment history, a longer credit period may be granted.

Note:

As at 31 December 2012, included in the Group's other receivables from investment transactions was HK$32,000,000 receivable from China Fortune Financial Group Limited ("China Fortune"), a company listed on the Main Board of the Stock Exchange arising from the maturity of convertible bond due on 30 June 2012. On 6 February 2013, the Group subscribed a three-year 5% coupon rate convertible bond from China Fortune in the principal amount of HK$32,000,000 and detail is set out in Note 25.

The remaining balance of HK$2,733,000 (2012: HK$9,000,000) and nil (2012: HK$1,875,000) represented the outstanding consideration receivables from the disposal of a subsidiary and partial disposal of an associate as at 31 December 2013.

24. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The aging analysis of the trade receivables, net of impairment loss recognised based on the invoice date, which approximated the respective revenue recognition dates at the end of the reporting period was as follows.

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Within 30 days	**25,868**	17,945
31 to 60 days	**9,662**	11,005
61 to 90 days	**241**	3,864
Over 90 days	**165**	2,336
	35,936	35,150

In determining the recoverability of a receivable, the Group considers whether there has been adverse change in the credit standing of the trade receivables from the date on which credit was initially granted. Accordingly, the directors believe that there was no further credit provision required in excess of the accumulated impairment losses already provided for in the consolidated financial statements.

The Group's neither past due nor impaired trade receivables with aggregate carrying amount of approximately HK$35,771,000 (2012: HK$32,814,000) mainly represent sales made to creditworthy customers for whom there was no recent history of default.

Included in the Group's receivable balance are trade receivables with aggregate carrying amount of approximately HK$165,000 (2012: HK$2,336,000) which were past due at the end of the reporting period but are regarded as not impaired as there has not been a significant change in the credit standing of the trade receivables.

Aging of trade debtors which are past due but not impaired

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Within 30 days	**120**	2,067
31 to 60 days	**45**	269
	165	2,336

24. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Movements in the accumulated impairment losses

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Balance at beginning of the year	**9,192**	16,637
Impairment loss recognised in consolidated statement of profit or loss	**1,707**	4,169
Written off	**(1,560)**	(11,614)
Balance at end of the year	**9,339**	9,192

Included in the accumulated impairment losses were individually impaired receivables with an aggregate balance of HK$9,339,000 (2012: HK$9,192,000) which have either been in disputes with the Group or are in financial difficulties.

The trade receivables, other receivables, deposits and prepayments denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
USD	**875**	642
Japanese Yen	**1,411**	1,016
Euro	**615**	447
RMB	**8,788**	6,484

25. CONVERTIBLE BONDS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013	2012
	HK$'000	*HK$'000*
Convertible bonds designated as financial assets at fair value through profit or loss		
China Fortune CB1 *(Note a)*	**–**	–
China Fortune CB2 *(Note b)*	**34,529**	–
	34,529	–

Note a:

During the year ended 31 December 2012, the Group exercised all the China Fortune CB1 with principal amount of HK$4,000,000 at a conversion price of HK$0.1 per share. The converted shares with their aggregate market value of approximately HK$5,813,000 were classified as held for trading investments and a loss on fair value change of approximately HK$446,000 was recognised in consolidated statement of profit or loss.

Note b:

During the year ended 31 December 2012, the China Fortune CB2 was due on 30 June 2012 with an aggregate principal amount of HK$32,000,000. Upon maturity on 30 June 2012, the China Fortune CB2 was due for payment and reclassified as an other receivable (Note 24). As a result a loss on fair value change of approximately HK$6,920,000 is recognised in consolidated statement of profit or loss.

On 1 March 2013, the Group subscribed a convertible bond amounted to HK$32,000,000 which is newly issued by China Fortune and used to settle the same amount included in other receivable as detailed in Note 24. China Fortune CB2 is a three-year 5% coupon rate convertible bonds with a principal amount of HK$32,000,000 issued by China Fortune. The convertible bond can be converted, in an amount of not less than HK$500,000, into new ordinary shares of China Fortune at any time within a period of three years following the date of issue at a conversion price of HK$0.1 per share. The Group shall not convert the bond if, upon such issue, the Group and the parties acting in concert with it, shall be interested in 30% or more of the then enlarged issued share capital of China Fortune at the date of the relevant conversion.

As at 31 December 2013, fair value of all convertible bonds had been determined in accordance with a valuation report issued by Grant Sherman Appraisal Limited, an independent valuer not connected to the Group, using the Binomial Option Pricing Model. A gain on fair value change of approximately HK$2,529,000 was recognised in consolidated statement of profit or loss.

25. CONVERTIBLE BONDS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Binominal option pricing model is used for valuation for the convertible bonds designated at financial assets at fair value through profit or loss. The inputs into the model of each convertible bond as at 31 December 2013 were as follows:

China Fortune CB2	
Stock price	HK$0.086
Conversion price	HK$0.1
Volatility	110.04%
Dividend yield	0%
Option life (years)	3
Risk free rate	0.44%

26. HELD FOR TRADING INVESTMENTS

	2013	2012
	HK$'000	*HK$'000*
Listed securities:		
Equity securities listed in Hong Kong, at fair value	**–**	3,163

As at 31 December 2012, the held for trading investments had been pledged to secure the margin loan (Note 30).

27. DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS/BANK BALANCES AND CASH

The deposits placed with financial institutions are for trading in securities. The deposits carry interest at market rates which range from 0.001% to 0.05% (2012: 0.001% to 0.05%) per annum.

Bank balances carry interest at market rates which range from 0.001% to 0.50% (2012: 0.001% to 0.50%) per annum.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entity to which they relate:

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
USD	**4**	140
Japanese Yen	**45**	511
Euro	**75**	9

28. TRADE AND OTHER PAYABLES AND ACCRUALS

	2013 HK$'000	2012 HK$'000 (Restated)
Trade payables	6,638	8,553
Other payables and accruals *(Note)*	39,093	30,333
	45,731	38,886

Note:

As at 31 December 2013 and 2012, included in the Group's other payables and accruals was amount of approximately HK$14,720,000 payable to an independent party for the acquisition of the Group's held for trading investments and available-for-sales investment.

The aged analysis of the trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2013 HK$'000	2012 HK$'000 (Restated)
Within 30 days	2,863	1,658
31 to 60 days	3,763	3,585
61 to 90 days	–	1,980
Over 90 days	12	1,330
	6,638	8,553

The credit period on purchases of goods ranged from 0 to 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The trade and other payables and accruals are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2013 HK$'000	2012 HK$'000 (Restated)
USD	94	24
Japanese Yen	3,761	3,481
Euro	2,292	2,573
RMB	4	6

29. OBLIGATION UNDER FINANCE LEASES

Analysed for reporting purposes as:

	2013 HK$'000	2012 HK$'000 (Restated)
Current liabilities	542	393
Non-current liabilities	749	–
	1,291	393

The average lease terms of the finance leases were four (2012: four) years. Interest rates are fixed at rates ranging from 4.28% to 4.34% (2012: 5.70% to 7.93%) per annum at the contract date. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2013 HK$'000	2012 HK$'000 (Restated)	2013 HK$'000	2012 HK$'000 (Restated)
Amounts payable under a finance leases:				
Within one year	583	423	542	393
In more than one year, but not more than two years	583	–	564	–
In more than two years, but not more than five years	189	–	185	–
	1,355	423	1,291	393
Less: future finance charges	(64)	(30)		
Present value of lease obligations	1,291	393		
Less: Amount due for settlement within twelve months (shown under current liabilities)			(542)	(393)
Amount due for settlements after twelve months			749	–

At 31 December 2013 and 2012, the Group's obligation under a finance leases were secured by the lessor's charge over the plant and equipment (Note 17).

30. OTHER LOANS

	2013 HK$'000	2012 HK$'000 (Restated)
Other loans	8,700	10,000
Margin loans with financial institutions other than banks	–	1,803
	8,700	11,803
Analysed as:		
Secured	–	1,803
Unsecured	8,700	10,000
	8,700	11,803

The exposure of the Group's loans is as follows:

	2013 HK$'000	2012 HK$'000 (Restated)
Fixed-rate loans	8,700	10,000
Variable-rate loans	–	1,803
	8,700	11,803

The Group's variable-rate loans carried interest at prevailing market rates.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's loans are as follows:

	2013 and 2012
Effective interest rate	
Fixed-rate loans	9%
Variable-rate loans	8%

As at 31 December 2013, other loans were not secured.

As at 31 December 2012, the margin loans were secured by the listed securities held under the margin accounts, with a total market value of approximately HK$3,163,000 (2013: nil).

31. CONVERTIBLE BONDS

(a) On 1 February 2010, the Company issued convertible bonds ("CB1") with principal amount of HK$60,000,000 as partial settlement of the consideration for the acquisition of 49% equity interest in Giant Billion.

CB1 would be due on 1 February 2013 and carries interest at 3% per annum payable annually in arrears with the first interest payment falling due twelve months from the date of issue and thereafter on the last day of each successive yearly period. CB1 entitles the holder to convert the bonds, in an amount not less than HK$500,000, into new ordinary shares of the Company at a conversion price, subject to adjustment, of HK$0.20 per share during the period commencing from the date of issue and ending on the date that falls on the fifth day immediately before the maturity date. Unless previously converted, all CB1 outstanding on maturity date shall be redeemed by the Company at its principal amount outstanding in HK$.

CB1 contains two components, liability and equity elements. The equity element is presented in equity headed "convertible bonds reserve". The effective interest rate of the liability component is 13.36% per annum.

The movement of the liability component of CB1 for the year is set out below:

	HK$'000
At 1 January 2012	54,106
Interest charged	7,228
Interest paid	(1,800)
At 31 December 2012 and 1 January 2013	59,534
Interest charged	432
Conversion during the year	(58,966)
Reclassified to other payables	(1,000)
At 31 December 2013	**–**

During the year ended 31 December 2013, the holders of CB1 have exercised the conversion right to convert an aggregate principal amount of HK$59,000,000 of the convertible bonds into a total 295,000,000 ordinary shares. The principal amount outstanding after the conversion was HK$1,000,000 which is included in other payables which is set out in note 28.

31. CONVERTIBLE BONDS (Continued)

(b) On 27 May 2010, the Company issued zero coupon convertible bonds ("CB2") with a principal amount of HK$264,000,000 due on 27 May 2013 for the Company's general working capital. Details of CB2 are set out in the Company's announcements dated 11 January 2010, 7 April 2010 and 21 April 2010 and the circular dated 26 April 2010.

CB2 entitles the holder to convert the bonds, in multiples of HK$1,200,000, into new ordinary shares of the Company at a conversion price, subject to adjustment, of HK$0.03 per share during the period commencing from the 90th day after the date of issue and ending on the date that falls on the fifth day immediately before the maturity date. The holder shall not convert and the Company shall not issue any conversion shares if, upon such issue, (a) the holder and the parties acting in concert with it shall be interested in 30% (or such amount as may from time to time that may trigger a mandatory general offer or considered by the Securities and Futures Commission as a change in control of the Company) or more of the then enlarged issued share capital of the Company at the date of the relevant conversion, (b)(i) each of any of the shareholders holding more than 20% or more of the voting rights of the Company; and (ii) the holder and the parties acting in concert with it will hold 20% or more of the voting rights of the Company respectively; or (c) the public float of the Company falls below 25% of the issued share capital of the Company. Unless previously converted or redeemed, the Company (i) may at any time after 12 months from the date of issue, the Company may redeem all or part of CB2 at a redemption amount equal to 100% of the principal amount; and (ii) shall redeem the CB2 at its principal amount on maturity date.

CB2 contains two components, liability and equity elements. The equity element is presented in equity headed "convertible bonds reserve". The effective interest rate of the liability component is 12.87% per annum.

The movement of the liability component of CB2 for the year is set out below:

	HK$'000
At 1 January 2012	140,195
Interest charged	13,364
Conversion during the year	(118,683)
At 31 December 2012 and 1 January 2013	34,876
Interest charged	664
Conversion during the year	(35,540)
At 31 December 2013	**–**

During the year ended 31 December 2013, the holders of CB2 have exercised the conversion right to convert an aggregate principal amount of HK$36,600,000 of the convertible bonds into a total 1,220,000,000 ordinary shares. There was no outstanding CB2 as at 31 December 2013.

During the year ended 31 December 2012, the holders of CB2 have exercised the conversion right to convert an aggregate principal amount of HK$129,600,000 of the convertible bonds into a total 4,320,000,000 ordinary shares. The principal amount outstanding after the conversion was HK$36,600,000.

32. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each		Share capital	
	2013	2012	**2013**	2012
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
At 1 January 2012 and 31 December 2012	**15,000,000**	15,000,000	**150,000**	150,000
Increased on 11 June 2013	**25,000,000**	25,000,000	**250,000**	250,000
At 31 December 2013	**40,000,000**	40,000,000	**400,000**	400,000
Issued and fully paid:				
At beginning of year	**9,404,198**	5,084,198	**94,042**	50,842
Issue of shares upon conversion of convertible bonds *(Note i)*	**1,515,000**	4,320,000	**15,150**	43,200
Issue of shares upon placing of shares *(Note ii)*	**1,000,000**	–	**10,000**	–
At end of year	**11,919,198**	9,404,198	**119,192**	94,042

Note i:

During the year ended 31 December 2013, the holders of CB1 and CB2 have exercised the conversion right to convert an aggregate principal amount of HK$59,000,000 and HK$36,600,000 of the convertible bonds into a total of 295,000,000 and 1,220,000,000 ordinary shares respectively.

During the year ended 31 December 2012, the holders of CB2 have exercised the conversion right to convert an aggregate principal amount of HK$129,600,000 of the convertible bonds into a total 4,320,000,000 ordinary shares.

These shares rank pari passu with the existing shares in all respects.

Note ii:

The Company entered into the subscription agreements with the two subscribers in relation to the subscription of a total of 1,000,000,000 new shares in the share capital of the Company at HK$0.355 per subscription share.

33. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior reporting periods:

	Withholding tax on undistributed profits of joint ventures in the PRC *HK$'000*
At 1 January 2012	2,415
Charge to consolidated statement of profit or loss for the year *(Note 13)*	8,648
Reallocated to current tax *(Note 13)*	(1,322)
At 31 December 2012 and 1 January 2013	9,741
Charge to consolidated statement of profit or loss for the year *(Note 13)*	11,281
Reallocated to current tax *(Note 13)*	(2,711)
At 31 December 2013	18,311

Under the EIT Law of PRC, withholding tax imposed on dividend declared in respect of profits earned by PRC joint ventures from 1 January 2008 onwards.

Withholding tax has been provided at 10% on the distributable profits of the Group's PRC joint ventures and included in deferred taxation.

As at 31 December 2013, the Group had deductible temporary differences of approximately HK$6,568,000 (2012: HK$3,740,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible differences can be utilised.

As at 31 December 2013, the Group had unused tax losses of approximately HK$325,805,000 (2012: HK$302,175,000) available for offset against future profits. No deferred tax asset is recognised due to the unpredictability of future profit stream. The unused tax losses may be carried forward indefinitely.

34. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the Company's share option scheme adopted on 23 October 2002, the board of directors of the Company may, at its discretion, grant options to full-time employees (including executive directors, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares on the date of grant.

The maximum number of shares which may be in issue upon exercise of options granted and yet to be exercised under the share option scheme and any other scheme of the Company shall not exceed 30% of the total issued share capital of the Company from time to time.

The maximum number of shares issued and to be issued on the exercise of options granted and to be granted (included both exercised and outstanding options) in any 12 months period up to the date of grant to each eligible person shall not exceed 1% of the total issued share capital of the Company in issue, unless (i) a shareholders' circular is dispatched to the shareholders; (ii) the shareholders approve the grant of the options in excess of the limit referred to herein; and (iii) the relevant eligible person and its associates abstain from the voting on the resolution.

A nominal consideration of HK$1 is payable on acceptance of each grant.

The following table discloses the movements of the Company's share options granted during the year ended 31 December 2013 and 2012:

Name of participant	Date of grant	Exercisable period	Exercisable price HK$	Number of share options outstanding at 1/1/2012, 1/1/2013 and 31/12/2013
Directors				
Yeung Sau Han Agnes	27.5.2010	27.5.2010 to 26.5.2015	0.64	175,000,000
Cheng Kwok Woo	27.5.2010	27.5.2010 to 26.5.2015	0.64	1,500,000
Other employee	27.5.2010	27.5.2010 to 26.5.2015	0.64	1,500,000
				178,000,000
Weighted average exercise price				HK$0.64

No share-based payment expense was recognised during the year ended 31 December 2013 and 2012.

35. DISPOSAL OF SUBSIDIARIES

(a) Disposal of the entire equity interests in Treasure Star Trading Limited ("Treasure Star")

During the year ended 31 December 2013, the Group disposed of all the equity interests in Treasure Star which was operated under the investment segment at considerations of HK$10,000.

The net assets of the subsidiaries disposed of at the date of disposal were as follows:

	Treasure Star
	HK$'000
Consideration	
Consideration received in cash and cash equivalents	10
Analysis of assets and liabilities over which control was lost	
Current assets	
Trade receivables, other receivables, deposits and prepayments	101
Bank balances and cash	23
	124
Current liabilities	
Trade and other payables and accruals	(1,874)
Net liabilities disposed of	(1,750)
Gain on disposal of subsidiaries	
Consideration received and receivable	10
Net liabilities disposed of	1,750
Gain on disposal	1,760
Net cash outflow from disposal of subsidiaries	
Consideration received in cash and cash equivalents	10
Less: cash and cash equivalent balances disposed of	(23)
	(13)

The cash flows of the disposal of subsidiaries as follows:

Net cash outflow from disposal of subsidiaries	(13)

Treasure Star has been disposed of during the year ended 31 December 2013 and has no material impact on the Group's results and cash flows.

35. DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of the entire equity interests in Host Luck Limited ("Host Luck") and Smart Genius

During the year ended 31 December 2012, the Group disposed of all the equity interests in Host Luck and Smart Genius which were operated under the investment segment at considerations of HK$1,152,000 and HK$9,000,000 respectively.

The net assets of the subsidiaries disposed of at the date of disposal were as follows:

	Smart Genius	**Host Luck**
	HK$'000	*HK$'000*
Consideration		
Consideration received in cash and cash equivalents	–	1,152
Consideration receivable	9,000	–
Total consideration	9,000	1,152
Analysis of assets and liabilities over which control was lost		
Non-current assets		
Investment property	–	5,200
Interest in an associate	56,000	–
	56,000	5,200
Current assets		
Trade and other receivables, deposits and prepayments	828	66
Loan receivable	5,796	–
Amount due from an associate	8,070	–
Bank balances and cash	1	–
	14,695	66
Current liabilities		
Trade and other payables and accruals	(8,772)	(3,988)
Non-current liabilities		
Promissory note	(59,599)	–
Net assets disposed of	2,324	1,278

35. DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of the entire equity interests in Host Luck Limited ("Host Luck") and Smart Genius (Continued)

	Smart Genius *HK$'000*	Host Luck *HK$'000*
Gain on disposal of subsidiaries		
Consideration received and receivable	9,000	1,152
Net assets disposed of	(2,324)	(1,278)
Non-controlling interests	–	128
Gain on disposal	6,676	2
Net cash inflow from disposal of subsidiaries		
Consideration received in cash and cash equivalents	–	1,152
Less: cash and cash equivalent balances disposed of	(1)	–
	(1)	1,152

Host Luck and Smart Genius were disposed of during the year ended 31 December 2012 and had no material impact on the Group's results and cash flows.

Goodwill of HK$12,817,000 was allocated to the disposed subsidiaries and fully impaired in prior years.

36. OPERATING LEASES

The Group as lessor

Property rental income earned during the year was approximately HK$1,842,000 (2012: HK$1,509,000).

At 31 December 2013, the Group has contracted with tenants to sub-lease a leased premise for future minimum lease payments as follows:

	2013 ***HK$'000***	2012 *HK$'000* (Restated)
Within one year	**1,189**	1,519
In the second to fifth year inclusive	**–**	330
	1,189	1,849

36. OPERATING LEASES (Continued)

The Group as lessee

At 31 December 2013, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Within one year	**1,861**	152
In the second to fifth year inclusive	**1,093**	–
	2,954	152

Leases were negotiated for a term of two months to fifty-six months with fixed rentals over the term of the lease.

37. RETIREMENT BENEFITS SCHEMES

The operating subsidiaries in Hong Kong joined the mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Scheme Ordinance. The assets of the scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contribution to the MPF Scheme at rates specified in the rules of the MPF Scheme. The obligation of the Group with respect of MPF Scheme is to make the required contribution under the MPF Scheme. The retirement benefits cost charged to the consolidated statement of profit or loss represent contributions payable to the MPF Scheme by the Group.

The PRC employees of the subsidiary in the PRC are members of the pension scheme operated by the PRC local government. The subsidiary is required to contribute a certain percentage of the relevant payroll of these employees to the pension scheme to fund the benefits. The only obligation for the Group with respect of the pension scheme is the required contributions under the pension scheme.

During the year, the Group made retirement benefits scheme contributions of approximately HK$547,000 (2012: HK$381,000).

38. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with its associates, joint ventures, partner of joint ventures during the year:

	2013 HK$'000	2012 HK$'000
Joint ventures		
Sales of polishing materials	**2,161**	2,296
Purchase of polishing materials	**89**	87
Fellow subsidiaries of a partner of a joint venture		
Service charges paid	**83,444**	44,119
Leasing income	**26,409**	4,274
Construction fee paid	**74,576**	92,875
Related Company in which a director have beneficial interest		
Subcontracting fee paid	**5,729**	8,014
Decoration expenses	**423**	–
Associates		
Disposal of available-for-sale investments	**–**	35,428
Disposal of held for trading investments	**–**	21,265

The Group's share of revenues and expenses has been accounted for by equity method in the consolidated financial statements for the year ended 31 December 2013 and 2012.

(b) Other than those disclosed elsewhere in the consolidated financial statements, the outstanding balance with related entity at year end are as follows:

	2013 HK$'000	2012 HK$'000
Associates		
Interest income receivable on advance	**–**	1,421
Amount due to an associate *(Note)*	**32,000**	34,900
Joint Ventures		
Amount due from a joint venture *(Note)*	**317**	294

Note: The amount due from a joint venture and amount due to an associate were unsecured, interest free and repayable on demand.

38. RELATED PARTY TRANSACTIONS (Continued)

(c) The remuneration of directors and key management personnel during the year are set out in Note 12. The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trend.

39. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2012, pursuant to a deed of settlement between the Group, an associate and an independent third party, certain amount of the proceed received from the third party was used to apply to settle the amount receivable from the associate which arise from acquisition of certain held for trading investments and financial assets at fair value through profit or loss from the Group. After the deed of settle became effective, an amount of HK$32,000,000 in relation to acquisition of certain financial assets at fair value through profit or loss as stipulated in the deed was subsequently terminated and an amount of HK$2,900,000 in relation to the proceed from disposal of certain held for trading investments on behalf of the associate were included as amount due to an associate.

During the year ended 31 December 2013, as detailed in note 24 and note 25b, other receivables of HK$32,000,000 was used to subscribe for a convertible bond with a principal amount of HK$32,000,000.

During the year ended 31 December 2012, the Group disposed of certain of its held for trading securities to a then associate at a consideration of approximately HK$4,565,000 which had been settled through a current account with the associate included in the amounts due from associates which was also disposed of in 2012.

During the year ended 31 December 2013, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$1,317,000 (2012: nil).

During the year ended 31 December 2013, the holders of CB1 and CB2 have exercised the conversion right to convert an aggregate principal amount of HK$59,000,000 and HK$36,600,000 of the convertible bonds into a total of 295,000,000 and 1,220,000,000 ordinary shares respectively.

During the year ended 31 December 2012, the holders of CB2 have exercised the conversion right to convert an aggregate principal amount of HK$129,600,000 of the convertible bonds into a total 4,320,000,000 ordinary shares.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2013 and 2012 were as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital *(note a)*	Proportion of nominal value of issued capital held by the Company 2013	2012	Principal activities
Indirectly held by the Company					
Fook Cheong Ho International Limited	Hong Kong	5% non-voting deferred shares HK$300,000 *(note b)* Ordinary shares HK$1,000,000	**100%**	100%	Trading of polishing materials and equipment
PME International Company Limited	Hong Kong	5% non-voting deferred shares HK$19,200,000 *(note c)* Ordinary shares HK$100,000	**100%**	100%	Investment holding and trading of polishing materials and equipment
Able Winner International Limited	Hong Kong	Ordinary shares HK$1	**100%**	100%	Investment holding
Sunbright Asia Limited	British Virgin Islands ("BVI")	Ordinary shares US$1,000	**100%**	100%	Investment holding
One Express Group Limited	BVI	Ordinary shares US$1,000	**100%**	100%	Investment holding
Betterment Enterprises Limited	BVI	Ordinary shares US$10,000	**99.49%**	99.49%	Investment holding
Upmove International Limited ("Upmove")	Hong Kong	Ordinary share HK$1	**100%**	100%	Investment holding

Note: The Company does not have any individual company with material non-controlling interest as at 31 December 2013 and 2012.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(a) All principal subsidiaries operate principally in Hong Kong.

(b) The 5% non-voting deferred shares of HK$1 each are not held by the Group and practically carrying no right to dividend or to receive notice of or to attend or vote at any annual general meeting of the companies. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining asset of the companies only after the distribution of HK$1,000,000 million, as specified in the articles of association, to holders of ordinary shares.

(c) The 5% non-voting deferred shares of HK$10 each are not held by the Group and practically carrying no right to dividend or to receive notice of or to attend or vote at any annual general meeting of the companies.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at 31 December 2013 and 2012 or at any time during the year.

As at 31 December 2013 and 2012, the Group's subsidiaries do not have any material non-controlling interests.

41. EVENTS AFTER THE REPORTING PERIOD

On 17 January 2014, Upmove, an indirect wholly-owned subsidiary of the Company, entered into the capital increase agreement with the joint venture partner, pursuant to which each of Upmove and the joint venture partner has agreed to make the capital increase in an amount of RMB50 million each to Rizhao Lanshan to increase Rizhao Lanshan's registered capital from RMB330 million to RMB430 million. The amounts of the capital increase will be used for the terminal construction and general working capital of Rizhao Lanshan.

As at the reporting date, Rizhao Lanshan is held as to 50% each by Upmove and the joint venture partner. The amounts to be contributed by Upmove and the joint venture partner in the capital increase are based on their respective equity holdings in the Rizhao Lanshan. Upon completion of the capital increase, their respective equity holdings in the Rizhao Lanshan will remain the same, and the Rizhao Lanshan will remain accounted for as a joint venture of the Group.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2013	31/12/2012
	HK$'000	*HK$'000*
Non-current assets		
Investment in subsidiaries	**112,253**	130,727
Current assets		
Other receivables, deposits and prepayments	**1,091**	1,091
Amounts due from subsidiaries *(note a)*	**694,577**	412,521
Bank balances and cash	**806**	196
	696,474	413,808
Current liabilities		
Other payables and accruals	**22,933**	24,193
Amount due to subsidiaries *(note a)*	**280,663**	283,774
Convertible bonds	**–**	94,410
	303,596	402,377
Net current assets	**392,878**	11,431
Total assets less current liabilities	**505,131**	142,158
Capital and reserves		
Share capital	**119,192**	94,042
Reserves *(note b)*	**385,939**	48,116
Total equity	**505,131**	142,158

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) Amount due from/to subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand. The fair values of the amounts at the end of the reporting period approximated to the corresponding carrying amounts due to their short-term maturities.

(b) Reserves

	Share premium *HK$'000*	Share options reserve *HK$'000*	Convertible bonds reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2012	956,499	63,700	64,583	(122,784)	961,998
Loss for the year	–	–	–	(989,365)	(989,365)
Issue of shares upon conversion of convertible bonds	114,467	–	(38,984)	–	75,483
At 31 December 2012	1,070,966	63,700	25,599	(1,112,149)	48,116
Loss for the year	–	–	–	(86,533)	(86,533)
Issue of shares upon placing of shares	345,000	–	–	–	345,000
Issue of shares upon conversion of convertible bonds	104,955	–	(25,599)	–	79,356
At 31 December 2013	**1,520,921**	**63,700**	**–**	**(1,198,682)**	**385,939**

Financial Summary

RESULTS

	Year ended 31 December				
	2009	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
		(Restated)		(Restated)	
Turnover	319,588	205,508	266,890	105,367	**84,214**
Revenue	176,709	174,079	265,683	79,740	**80,297**
Profit/(loss) before taxation	189,036	(88,919)	(420,477)	6,300	**119,926**
Taxation	(29,985)	(4,591)	(12,112)	(8,728)	**(11,419)**
Profit/(loss) for the year	159,051	(93,510)	(432,589)	(2,428)	**108,507**
Profit/(loss) for the year attributable to:					
– Owners of the Company	158,359	(93,655)	(432,451)	(2,426)	**108,507**
– Non-controlling interests	692	145	(138)	(2)	**–**
	159,051	(93,510)	(432,589)	(2,428)	**108,507**

ASSETS AND LIABILITIES

	As at 31 December				
	2009	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
		(Restated)		(Restated)	
Total assets	892,277	1,232,511	855,787	874,544	**1,368,516**
Total liabilities	(68,310)	(352,028)	(336,523)	(227,436)	**(143,424)**
	823,967	880,483	519,264	647,108	**1,225,092**
Equity attributable to owners of the Company	822,999	879,370	518,289	646,263	**1,224,247**
Non-controlling interests	968	1,113	975	845	**845**
	823,967	880,483	519,264	647,108	**1,225,092**