大同機械企業有限公司
COSMOS MACHINERY ENTERPRISES LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 118)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2013

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	3	**2,465,110**	2,121,595
Cost of sales		**(2,117,310)**	(1,757,903)
Gross profit		**347,800**	363,692
Other income and gains, net		**31,092**	23,620
Distribution costs		**(161,504)**	(138,863)
Administrative expenses		**(275,826)**	(241,614)
Allowance for impairment of bad and doubtful debts, net		**(25,690)**	(4,718)
(Loss) Profit from operations		**(84,128)**	2,117
Finance costs		**(18,903)**	(19,399)
Investment income		**6,978**	4,139
Share of results of associates		**2,126**	10,127
Gain on disposal/deregistration of subsidiaries		**2,033**	–
Gain on disposal of associates		**217,217**	–
Impairment loss of available-for-sale financial assets		**(6,202)**	–
Gain on dilution of shareholding in an associate		**–**	155
Profit (Loss) before taxation	4	**119,121**	(2,861)
Taxation	5	**3,904**	(10,277)
Profit (Loss) for the year		**123,025**	(13,138)

	Notes	**2013** ***HK$'000***	2012 *HK$'000*
Attributable to:			
– Equity shareholders of the Company		**108,390**	(24,175)
– Non-controlling interests		**14,635**	11,037
		123,025	(13,138)
Earnings (Loss) per share for profit (loss) attributable to the equity shareholders of the Company during the year	*6*		
– Basic		**15.12 cents**	(3.37 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2013

	2013	2012
	HK$'000	*HK$'000*
Profit (Loss) for the year	**123,025**	(13,138)
Other comprehensive income (expense) for the year, net of tax:		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of financial statements of foreign operations	**32,666**	(315)
Change in fair value of available-for-sale financial assets	**(8)**	(569)
Share of other comprehensive income (expense) of associates	**7,195**	(719)
Release of translation reserve upon disposal of subsidiaries	**1,313**	–
Release of translation reserve upon disposal of associates	**(43,543)**	–
	(2,377)	(1,603)
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of properties held for own use	**3,816**	7,405
	1,439	5,802
Total comprehensive income (expense) for the year	**124,464**	(7,336)
Attributable to:		
– Equity shareholders of the Company	**106,171**	(18,928)
– Non-controlling interests	**18,293**	11,592
Total comprehensive income (expense) for the year	**124,464**	(7,336)

CONSOLIDATED BALANCE SHEET

AT 31ST DECEMBER, 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current Assets			
Property, plant and equipment		**709,223**	708,834
Leasehold land and land use rights		**56,271**	56,392
Goodwill	8	**53,483**	–
Intangible assets	9	**13,370**	–
Interests in associates		**45,343**	421,823
Available-for-sale financial assets		**494**	6,704
Deferred tax assets		**25,970**	5,643
		904,154	1,199,396
Current Assets			
Inventories		**640,975**	649,602
Trade and other receivables	10	**794,148**	713,699
Current tax recoverable		**1,162**	673
Short-term bank deposits with maturity over three months		**80,035**	–
Pledged bank deposits		**219,553**	53,562
Cash and cash equivalents		**450,827**	209,206
		2,186,700	1,626,742
Current Liabilities			
Trade and other payables	11	**900,180**	846,189
Amounts due to associates		**481**	1,317
Bank borrowings		**438,128**	355,772
Obligations under finance leases		**12,911**	15,903
Deferred consideration payable		**4,274**	–
Current tax payable		**7,217**	5,601
		1,363,191	1,224,782
Net Current Assets		**823,509**	401,960
Total Assets less Current Liabilities		**1,727,663**	1,601,356

	Notes	**2013**	2012
		HK$'000	*HK$'000*
Non-current Liabilities			
Obligations under finance leases		**5,194**	15,277
Deferred tax liabilities		**16,429**	8,177
Deferred consideration payable		**7,514**	–
		29,137	23,454
Net Assets		**1,698,526**	1,577,902
Equity			
Capital and reserves attributable to equity shareholders of the Company:			
Share capital		**286,772**	286,772
Reserves		**1,187,582**	1,092,165
Proposed final dividend	*7*	**10,754**	–
		1,485,108	1,378,937
Non-controlling Interests		**213,418**	198,965
Total Equity		**1,698,526**	1,577,902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2013

1. BASIS OF PREPARATION

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

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. CHANGES IN ACCOUNTING POLICIES

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

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

– HKFRS 10, *Consolidated financial statements*

– HKFRS 11, *Joint arrangements*

– HKFRS 12, *Disclosure of interests in other entities*

– HKFRS 13, *Fair Value measurement*

– *Annual improvements to HKFRSs 2009-2011 Cycle*

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

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

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

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

HKFRS 10, Consolidated financial statements

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

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

HKFRS 11, Joint arrangements

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

HKFRS 12, Disclosure of interests in other entities

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

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual improvements to HKFRSs 2009-2011 Cycle

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

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

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

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

3. SEGMENT REPORTING

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

(1) trading of industrial consumables;

(2) manufacturing of plastic processing products;

(3) manufacturing of machinery; and

(4) manufacturing and trading of printed circuit boards.

Segment results, assets and liabilities

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

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

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

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

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

	Industrial consumables *HK$'000*	Plastic processing products *HK$'000*	Machinery *HK$'000*	Printed circuit boards *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER							
External sales	**408,339**	**392,504**	**972,044**	**682,951**	**9,272**	**–**	**2,465,110**
Inter-segment sales	**22,425**	**330**	**6,670**	**–**	**6,188**	**(35,613)**	**–**
Total revenue	**430,764**	**392,834**	**978,714**	**682,951**	**15,460**	**(35,613)**	**2,465,110**

Inter-segment sales are charged at prevailing market rates.

	Industrial consumables *HK$'000*	Plastic processing products *HK$'000*	Machinery *HK$'000*	Printed circuit boards *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
RESULTS							
Segment results	**30,357**	**(38,654)**	**(81,103)**	**36,601**	**(4,085)**	**361**	**(56,523)**
Unallocated corporate expenses							**(27,605)**
Loss from operations							**(84,128)**
Finance costs							**(18,903)**
Investment income, net							**6,978**
Share of results of associates							**2,126**
Gain on disposal/deregistration of subsidiaries							**2,033**
Gain on disposal of associates							**217,217**
Impairment of loss of available-for-sale financial assets							**(6,202)**
Profit before taxation							**119,121**
Taxation							**3,904**
Profit before non-controlling interests							**123,025**

	Industrial consumables *HK$'000*	Plastic processing products *HK$'000*	Machinery *HK$'000*	Printed circuit boards *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
ASSETS						
Segment assets	**256,654**	**384,514**	**1,258,923**	**496,842**	**515,613**	**2,912,546**
Interests in associates						**45,343**
Available-for-sale financial assets						**494**
Unallocated corporate assets						**132,471**
Consolidated total assets						**3,090,854**
LIABILITIES						
Segment liabilities	**59,697**	**79,871**	**511,039**	**255,181**	**3,034**	**908,822**
Current tax payable						**7,217**
Borrowings						**456,233**
Unallocated corporate liabilities						**20,056**
Consolidated total liabilities						**1,392,328**
OTHER INFORMATION						
Capital additions	**1,139**	**16,702**	**32,872**	**11,838**	**678**	**63,229**
Depreciation and amortisation	**1,357**	**15,366**	**39,325**	**26,585**	**1,586**	**84,219**
Other non-cash expenses	**959**	**13,327**	**66,625**	**(2,880)**	**4,206**	**82,237**
Share of results of associates	**–**	**(920)**	**1,543**	**27**	**1,476**	**2,126**

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

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

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

	Industrial consumables *HK$'000*	Plastic processing products *HK$'000*	Machinery *HK$'000*	Printed circuit boards *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER							
External sales	374,806	332,364	843,924	565,986	4,515	–	2,121,595
Inter-segment sales	17,984	279	3,905	–	6,410	(28,578)	–
Total revenue	392,790	332,643	847,829	565,986	10,925	(28,578)	2,121,595

Inter-segment sales are charged at prevailing market rates.

	Industrial consumables *HK$'000*	Plastic processing products *HK$'000*	Machinery *HK$'000*	Printed circuit boards *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
RESULTS							
Segment results	23,553	(20,215)	1,530	22,933	1,248	(103)	28,946
Unallocated corporate expenses							(26,829)
Profit from operations							2,117
Finance costs							(19,399)
Investment income, net							4,139
Share of results of associates							10,127
Gain on dilution of shareholding in an associate							155
Loss before taxation							(2,861)
Taxation							(10,277)
Loss before non-controlling interests							(13,138)

	Industrial consumables *HK$'000*	Plastic processing products *HK$'000*	Machinery *HK$'000*	Printed circuit boards *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
ASSETS						
Segment assets	232,845	380,301	1,244,421	445,758	34,661	2,337,986
Interests in associates						421,823
Available-for-sale financial assets						6,704
Unallocated corporate assets						59,625
Consolidated total assets						2,826,138
LIABILITIES						
Segment liabilities	53,735	81,414	484,317	216,279	8,460	844,205
Current tax payable						5,601
Borrowings						386,952
Unallocated corporate liabilities						11,478
Consolidated total liabilities						1,248,236
OTHER INFORMATION						
Capital additions	197	30,875	25,911	19,773	221	76,977
Depreciation and amortisation	1,515	15,108	34,030	25,424	1,570	77,647
Other non-cash expenses	1,978	1,499	2,053	1,600	217	7,347
Share of results of associates	–	(782)	2,794	–	8,115	10,127

Geographical information

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

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

	Sales revenue by geographical market	
	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**662,475**	642,725
PRC	**1,554,639**	1,231,902
Other Asia-Pacific countries	**206,018**	203,219
North America	**16,008**	10,405
Europe	**25,970**	33,344
	2,465,110	2,121,595

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

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,328,353**	689,206	**1,885**	947
PRC	**1,730,728**	2,100,678	**61,344**	76,030
Other Asia-Pacific countries	**26,358**	30,007	**–**	–
North America	**2,701**	2,691	**–**	–
Europe	**2,714**	3,556	**–**	–
	3,090,854	2,826,138	**63,229**	76,977

Information about major customers

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

4. PROFIT (LOSS) BEFORE TAXATION

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

	2013	2012
	HK$'000	*HK$'000*
Charging:		
Directors' remuneration	**12,813**	14,460
Staff costs (excluding directors' remuneration)		
– Salaries and other benefits	**381,478**	337,472
– Retirement benefits scheme contributions	**16,964**	18,469
Total staff costs	**411,255**	370,401
Depreciation and amortisation on:		
– Owned assets	**77,058**	73,662
– Intangible assets	**461**	–
– Assets held under finance leases	**4,929**	1,981
– Leasehold land held for own use under finance leases	**723**	535
– Leasehold land and land use rights	**1,509**	1,469
Loss on disposal of property, plant and equipment	**–**	1,700
Deficit on revaluation of properties held for own use	**17**	91
Exchange loss, net	**4,373**	302
Auditors' remuneration		
– Current year	**3,100**	2,726
– (Over) Underprovision in prior years	**(4)**	57
Operating lease payments – Land and buildings	**24,525**	22,030
and crediting:		
Rental income net of nil direct outgoings	**590**	534

5. TAXATION

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

	2013	2012
	HK$'000	*HK$'000*
Current tax:		
Hong Kong profits tax		
Current year	**2,282**	2,089
Overprovision in prior years	**(491)**	(59)
	1,791	2,030
Overseas tax		
Current year	**8,386**	6,736
Underprovision in prior years	**893**	2,303
	9,279	9,039
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences	**(14,974)**	(792)
Taxation (credit) charge	**(3,904)**	10,277

6. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share

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

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

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

7. DIVIDEND

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

	2013	2012
	HK$'000	*HK$'000*
Dividend proposed after the balance sheet date of HK$0.015 (2012: HK$ Nil) per share	**10,754**	–

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

	2013	2012
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$Nil (2012: HK$0.005) per share	**–**	3,585

8. GOODWILL

THE GROUP

	HK$'000
COST	
At 1st January, 2012 and 31st December, 2012	–
Acquisition of subsidiaries *(note 15)*	53,483
At 31st December, 2013	53,483
ACCUMULATED IMPAIRMENT	
At 1st January, 2012, 31st December, 2012 and 31st December, 2013	–
CARRYING AMOUNT	
At 31st December, 2013	53,483
At 31st December, 2012	–

The details of goodwill arose from the acquisition of 100% equity interest in KFE Hong Kong Co., Limited ("KFE") are set out in note 15. For the purpose of impairment testing, goodwill has been allocated to an individual cash generating unit ("CGU"), representing KFE, a subsidiary in the manufacturing of printed circuit boards segment.

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

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

9. INTANGIBLE ASSETS

THE GROUP

	Customer Relationship
	HK$'000
COST	
At 1st January, 2012 and 31st December, 2012	–
Acquisition of subsidiaries *(note 15)*	13,831
At 31st December, 2013	13,831
ACCUMULATED AMORTISATION	
At 1st January, 2012 and 31st December, 2012	–
Amortisation for the year	461
At 31st December, 2013	461
NET BOOK VALUE	
At 31st December, 2013	13,370
At 31st December, 2012	–

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

THE COMPANY

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

10. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Trade and bills receivables	**773,902**	670,794
Less: allowance for impairment of bad and doubtful debts	**84,165**	71,915
Trade and bills receivables, net	**689,737**	598,879
Other receivables	**65,305**	92,149
Less: allowance for impairment of bad and doubtful debts	**20,020**	18,122
Other receivables, net	**45,285**	74,027
Prepayments	**58,860**	40,129
Amounts due from related parties	**266**	664
	794,148	713,699

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

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

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
0 to 3 months	**475,278**	440,521
4 to 6 months	**95,312**	63,359
7 to 9 months	**55,056**	35,203
Over 9 months	**64,091**	59,796
	689,737	598,879

11. TRADE AND OTHER PAYABLES

	THE GROUP 2013 HK$'000	2012 HK$'000
Trade and bills payables	**636,033**	555,170
Accruals and other payables	**254,547**	290,636
Amounts due to related parties	**9,600**	383
	900,180	846,189

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

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

	THE GROUP 2013 HK$'000	2012 HK$'000
0 to 3 months	**478,975**	422,901
4 to 6 months	**100,533**	106,679
7 to 9 months	**46,019**	17,572
Over 9 months	**10,506**	8,018
	636,033	555,170

12. CAPITAL COMMITMENTS

	THE GROUP 2013 HK$'000	2012 HK$'000
Capital expenditure:		
Authorised but not contracted for	**94,768**	–
Contracted but not provided for	**6,594**	28,523
	101,362	28,523

13. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to financial institutions in respect of credit facilities utilised by				
– subsidiaries	**–**	–	**214,537**	1,184,537

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

14. PLEDGE OF ASSETS

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

	2013	2012
	HK$'000	*HK$'000*
Buildings	**76,020**	58,590
Leasehold land and land use rights	**9,222**	20,467
Plant and machinery	**51,170**	60,045
Bank deposits	**219,553**	53,562
	355,965	192,664

15. ACQUISITION OF SUBSIDIARIES

During the year, Gainbase Industrial (Holding) Limited, a 52% owned subsidiary of the Company, entered into a sale and purchase agreement with MA International Co., Limited, an independent third party, to acquire 100% of the issued share capital of KFE Hong Kong Co., Limited, a company incorporated in Hong Kong, at a total consideration of USD2,400,000 (approximately HK$18,720,000). KFE Hong Kong Co., Limited and its subsidiaries are principally engaged in trading of laminates and printed circuit boards. The acquisition was completed on 14th August, 2013.

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

	KFE carrying amount before combination *HK$'000*	**Fair value adjustments** *HK$'000*	**Fair value** *HK$'000*
Total consideration satisfied by:			
Cash consideration of USD600,000			4,668
Fair value of the deferred consideration payable of USD1,800,000 (HK$14,004,000)			13,175
			17,843
Less: Recognised amounts of identifiable assets acquired and liability assumed:			
Property, plant and equipment	143	–	143
Intangible assets (customer relationship)	–	13,831	13,831
Investment in an associate	279	–	279
Deferred tax assets	130	–	130
Inventories	1,695	–	1,695
Trade and other receivables	72,086	–	72,086
Pledged bank deposits	401	–	401
Cash and cash equivalents	4,555	–	4,555
Trade and other payables	(103,841)	–	(103,841)
Amount due to an associate	(248)	–	(248)
Amount due to a former shareholder	(2,334)	–	(2,334)
Bank borrowings	(20,054)		(20,054)
Deferred tax liabilities arising from Intangible assets acquired	–	(2,283)	(2,283)
Total net identifiable assets and liabilities	(47,188)	11,548	(35,640)
Goodwill			53,483

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$1.5 cents (2012: Nil) per share for the year ended 31st December, 2013, subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on 28th May, 2014. The final dividend will be payable on or about 27th June, 2014 to shareholders whose names appear on the register of members on 6th June, 2014.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Tuesday, 27th May, 2014 to Wednesday, 28th May, 2014 (both days inclusive). In order to determine the shareholders who are entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31st March, 2014) by not later than 4:00 p.m. on Monday, 26th May, 2014.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The register of members of the Company will be closed from Thursday, 5th June, 2014 to Friday, 6th June, 2014 (both dates inclusive), during which no transfer of shares will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31st March, 2014) by not later than 4:00 p.m. on Wednesday, 4th June, 2014.

RESULTS

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

CHAIRMAN'S STATEMENT

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

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

It has been the Group's persistent business direction to maintain sustainable long term development. Hence in this adverse situation, the Group was still active in making R&D investments. During the period under review, 6 newly invented patents were under application and 4 patents on inventions made in the prior financial year were granted with further patent rights. At the same time, the Group's all-electric plastic injection-moulding machine made its debut into the market with progressive delivery made on a timely basis. Adding to these technology accomplishments, the Group has gained the transfer of the large-scale all-electric plastic injection moulding machine technology from Japan, enabling the Group to play a more leading role in the all-electric injection moulding machine arena, featuring more comprehensive specifications, thus gaining the Group a competitive-edge in the high-end precision injection moulding machine market. During the period, in order to satisfy the automation and energy-saving requirements of all walks of business, the Group added quite a lot of equipment and upgraded the production flow design and process. All these improvements were to reduce operating cost, especially the ever-increasing labor cost and the insatiable market requirements. The trading business also made proactive effort to secure agency business for new products in the Chinese market and to focus on building an expanding rapport and market network.

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

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

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

FUTURE PROSPECTS

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

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

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

BUSINESS REVIEW

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

Manufacturing Business

Machinery

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

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

Our new product, Ge – Green & Excellence electric-driven PLUS plastic injection moulding machine, had demonstrated to be receptive to our customers. The application of plastic packaging for the pharmaceutical industry has helped develop some benchmark customers, its promotion and application have been extended to other industries, such as plastic precision parts for optical products and mobile communication equipment. The Group has in December 2013 entered into a technology transfer agreement of the UF series of all-electric plastic injection moulding machine with UBE

Machinery Industries, Ltd. ("UBE"). UBE plays a leading role in the medium/large-scale all-electric plastic injection moulding machine arena globally. The cooperation will serve to shorten the business's research and development time in large-scale all-electric machinery, which will perfect the integrated expansionary strategic scheme of the Ge series.

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

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

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

Plastic Products and Processing

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

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

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

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

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

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

Printed Circuit Board

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

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

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

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

Trading Business

Industrial Consumables

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

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

Other Business

Electronic Watt-Hour Meters and Related Businesses

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

BUSINESS PROSPECTS

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

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

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

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

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

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

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

FINANCIAL REVIEW

Liquidity and Financial Resources

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

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

Foreign Currencies and Treasury Policy

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMMITTEE OF EXECUTIVE DIRECTORS

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

EMPLOYEES AND REMUNERATION POLICY

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

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

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31st December, 2013.

CORPORATE GOVERNANCE

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

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

COMPLIANCE WITH MODEL CODE

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers all of the Independent Non-executive Directors are independent.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.cosmel.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2013 annual report containing all the information required by the Listing Rules will be published on the above websites and dispatched to shareholders of the Company in mid April 2014.

On behalf of the Board
TANG To
Chairman

Hong Kong, 27th March, 2014

As at the date hereof, the board of directors of the Company is comprised of eleven directors, of which four are executive directors, namely Mr. Tang To, Mr. Jiang Wei, Mr. Wong Yiu Ming and Mr. Tang Yu, Freeman, and three are non-executive directors, namely, Mr. Wu Ding, Mr. Kan Wai Wah and Mr. Qu Jinping and four are independent non-executive directors, namely Ms. Yeung Shuk Fan, Mr. Cheng Tak Yin, Mr. Ho Wei Sem and Mr. Huang Zhi Wei.