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ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

RESULTS

The board (“the Board”) of directors (the “Directors”) of AMCO United Holding Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2013, together with the comparative figures for the previous year, as follows.

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

	Notes	2013 HK\$'000	2012 HK\$'000
Continuing operations			
Turnover	3	89,006	132,413
Cost of sales		<u>(75,032)</u>	<u>(102,469)</u>
Gross profit		13,974	29,944
Other income	4	8,906	12
Distribution costs		(4,443)	(6,881)
Administrative expenses		(48,920)	(57,383)
Impairment losses and write offs	5	(40,981)	(25,709)
(Loss)/Gain on change in fair value of convertible notes		(1,597)	4,868
Finance costs		<u>(1,693)</u>	<u>(634)</u>

* For identification purposes only

	<i>Notes</i>	2013 HK\$'000	2012 <i>HK\$'000</i>
Loss before income tax expense	<i>6</i>	(74,754)	(55,783)
Income tax credit	<i>7</i>	<u>141</u>	<u>251</u>
Loss for the year from continuing operations		(74,613)	(55,532)
Discontinued operations			
Operating loss after income tax expense		–	(3,619)
Gain on disposal of subsidiaries		<u>–</u>	<u>14,501</u>
Profit for the year from discontinued operations		<u>–</u>	<u>10,882</u>
Loss for the year		<u>(74,613)</u>	<u>(44,650)</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		388	(397)
Reclassification adjustments for amounts transferred to profit or loss			
– release of translation reserve upon deregistration of subsidiaries		–	210
– release of translation reserve upon disposal of subsidiaries		–	(339)
– release of translation reserve upon disposal of available-for-sale financial assets		–	107
Reclassification of the cumulative fair value gain attributable to disposal of available-for-sale financial assets to profit or loss		<u>–</u>	<u>(32)</u>
Other comprehensive income for the year, net of tax		<u>388</u>	<u>(451)</u>
Total comprehensive income for the year		<u>(74,225)</u>	<u>(45,101)</u>
Loss for the year attributable to owners of the Company:			
Continuing operations		(74,613)	(55,532)
Discontinued operations		<u>–</u>	<u>10,882</u>
		<u>(74,613)</u>	<u>(44,650)</u>

		2013	2012
	Notes	HK\$'000	HK\$'000
Total comprehensive income attributable to owners of the Company:			
Continuing operations		(74,225)	(55,983)
Discontinued operations		—	10,882
		<u>(74,225)</u>	<u>(45,101)</u>
(Loss)/Earnings per share			
From continuing and discontinued operations	8		
Basic		HK (8.52) cents	HK (5.10) cents
Diluted		<u>N/A</u>	<u>N/A</u>
From continuing operations			
Basic		HK (8.52) cents	HK (6.34) cents
Diluted		<u>N/A</u>	<u>N/A</u>
From discontinued operations			
Basic		—	HK1.24 cents
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	<i>Notes</i>	2013 HK\$'000	2012 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	6,009	17,576
Goodwill	10	11,836	45,907
Deferred tax assets		–	514
		17,845	63,997
Current assets			
Inventories		6,952	7,532
Trade and other receivables	11	13,430	26,839
Tax recoverable		291	813
Pledged time deposits		3,405	3,512
Cash and cash equivalents		4,576	10,163
		28,654	48,859
Current liabilities			
Trade and other payables	12	31,513	39,022
Bank and other borrowings		16,064	9,614
Amount due to a director		12,150	4,000
Obligation under finance leases		204	204
Convertible notes		16,112	10,314
		76,043	63,154
Net current liabilities		(47,389)	(14,295)
Total assets less current liabilities		(29,544)	49,702
Non-current liabilities			
Obligation under finance leases		16	220
Deferred tax liabilities		–	616
Convertible notes		7,113	11,314
		7,129	12,150
Net (liabilities)/assets		(36,673)	37,552
EQUITY			
Share capital	13	8,758	87,582
Reserves		(45,431)	(50,030)
(Capital deficiency)/Total equity		(36,673)	37,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value.

The financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group has incurred a loss of HK\$74,613,000 for the year ended 31 December 2013 and as at that date, the Group had net current liabilities of HK\$47,389,000 and a capital deficiency of HK\$36,673,000.

Notwithstanding these conditions, the going concern basis has been adopted on the basis set out below:

- (i) A director and a certain related party (further details of which are set out in Note 12) have undertaken not to demand repayment of debts due to them at 31 December 2013 of HK\$12,150,000 and HK\$7,500,000, respectively, until such time repayment will not affect the Company's ability to repay other creditors in the normal course of business.
- (ii) The Company has signed two shares placing agreements in March 2014 which will secure a minimum capital injection of HK\$40,000,000 to the Company by April 2014. Further details of these share placements are set out in the section on "Events After The Reporting Date".
- (iii) As at 31 December 2013, included in the current liabilities is the current portion of convertible notes of HK\$16,112,000. The convertible notes were issued pursuant to the acquisition of the Titron Group as defined and detailed in the Company's circular dated 11 August 2011. Under the terms of the convertible note agreement, these notes must be converted into shares of the Company at the agreed (fixed) conversion price. Accordingly, the settlement of these convertible notes will not have any adverse cash flow impact to the Group.
- (iv) Looking forward, management plans to improve the Group's financial performance by:
 - (a) taking steps to reduce discretionary expenses and administrative costs;
 - (b) expansion of business in the areas of medical and health care market sector; and
 - (c) exploring new business which will provide a growing and recurring source of income.

The directors are confident these measures will improve the financial performance of the Group gradually, provide sufficient liquidity to enable the Group to meet its commitments and obligations as and when they fall due and add to shareholders' value.

Accordingly, the financial statements have been prepared on a going concern basis.

(a) Adoption of new/revised HKFRSs – effective 1 January 2013

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interest in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements

Except as explain below, the adoption of these new and revised HKFRSs has no material impact on the Group's financial statements.

HKFRSs (Amendments) – Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as 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 (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance.

(b) New/revised HKFRSs that have been issued and have been early adopted

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current period. The disclosures about the impairment of property, plant and equipment in Note 9 and goodwill in Note 10 have been modified accordingly.

(c) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
HKFRS 9	Financial Instruments ⁴
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle ³
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle ²

¹ *Effective for annual periods beginning on or after 1 January 2014*

² *Effective for annual periods beginning on or after 1 July 2014*

³ *Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014*

⁴ *Effective for annual periods beginning on or after 1 January 2015*

The Group is in the process of making an assessment of the potential impact of these pronouncements. The Directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

2. Segment reporting

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable segments (2012: 2 continuing and 2 discontinued segments). The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- (1) Manufacture and sale of medical devices products; and
- (2) Manufacture and sale of plastic moulding products.

Inter-segment transactions, if any, are priced with reference to prices charged to external parties for similar products. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

The Group had disposed of subsidiaries which were engaged in the segment of manufacture and sale of data media products and the segment of distribution of data media products in 2012. These two segments were considered as discontinued operations.

(a) Business segments

For the year ended 31 December 2013

	Continuing operations			Discontinued operations			Total HK\$'000
	Manufacture and sale of medical devices products HK\$'000	Manufacture and sale of plastic moulding products HK\$'000	Sub – Total HK\$'000	Manufacture and sale of data media products HK\$'000	Distribution of data media products HK\$'000	Sub – Total HK\$'000	
Revenue from external customers	24,684	64,322	89,006	–	–	–	89,006
Reportable segment revenue	24,684	64,322	89,006	–	–	–	89,006
Reportable segment loss	(6,014)	(9,687)	(15,701)	–	–	–	(15,701)
Interest income	–	38	38	–	–	–	38
Depreciation	(1,109)	(4,310)	(5,419)	–	–	–	(5,419)
Gain on disposal of property, plant and equipment	1	380	381	–	–	–	381
Impairment of – property, plant and equipment	–	(5,679)	(5,679)	–	–	–	(5,679)
– goodwill	(34,071)	–	(34,071)	–	–	–	(34,071)
Trade receivables write off	–	(174)	(174)	–	–	–	(174)
Reportable segment assets	18,914	16,554	35,468	–	–	–	35,468
Addition to non-current assets	251	1,922	2,173	–	–	–	2,173
Reportable segment liabilities	2,883	11,786	14,669	–	–	–	14,669

For the year ended 31 December 2012

	Continuing operations			Discontinued operations			Total HK\$'000
	Manufacture and sale of medical devices products HK\$'000	Manufacture and sale of plastic moulding products HK\$'000	Sub – Total HK\$'000	Manufacture and sale of data media products HK\$'000	Distribution of data media products HK\$'000	Sub – Total HK\$'000	
Revenue from external customers	51,690	80,723	132,413	17,792	7,650	25,442	157,855
Reportable segment revenue	51,690	80,723	132,413	17,792	7,650	25,442	157,855
Reportable segment profit/(loss)	2,697	(7,422)	(4,725)	12,853	(2,095)	10,758	6,033
Interest income	–	27	27	1	1	2	29
Depreciation	(1,212)	(4,848)	(6,060)	(163)	(2)	(165)	(6,225)
Gain on disposal of property, plant and equipment	–	174	174	1,491	(5)	1,486	1,660
Impairment loss on goodwill	(21,455)	–	(21,455)	–	–	–	(21,455)
Trade receivables write off	–	(24)	(24)	–	–	–	(24)
Reportable segment assets	58,760	31,475	90,235	–	–	–	90,235
Addition to non-current assets	108	960	1,068	–	–	–	1,068
Reportable segment liabilities	3,370	15,471	18,841	–	–	–	18,841

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2013 HK\$'000	2012 HK\$'000
Revenue		
Reportable segment revenue	<u>89,006</u>	<u>157,855</u>
Loss before income tax expense and discontinued operations		
Reportable segment (loss)/profit	(15,701)	6,033
Segment profit from discontinued operations	–	(10,758)
(Loss)/Gain on change in fair value of convertible notes	(1,597)	4,868
Impairment losses and write offs	(40,981)	(25,709)
Finance costs	(1,693)	(634)
Unallocated corporate income	8,246	78
Unallocated corporate expenses	<u>(23,028)</u>	<u>(29,661)</u>
Consolidated loss before income tax expense from continuing operations	<u>(74,754)</u>	<u>(55,783)</u>
Assets		
Segment assets of continuing operations	35,468	90,235
Deferred tax assets	–	514
Pledged time deposits	3,405	3,512
Cash and cash equivalents	4,576	10,163
Unallocated corporate assets	<u>3,050</u>	<u>8,432</u>
Consolidated total assets	<u>46,499</u>	<u>112,856</u>
Liabilities		
Segment liabilities of continuing operations	14,669	18,841
Bank and other borrowings	16,064	9,614
Amount due to a director	12,150	4,000
Amounts due to related parties	9,200	9,200
Deferred tax liabilities	–	616
Convertible notes	23,225	21,628
Unallocated corporate liabilities	<u>7,864</u>	<u>11,405</u>
Consolidated total liabilities	<u>83,172</u>	<u>75,304</u>

Reportable segment (loss)/profit represents the (loss)/profit attributable to each segment without allocation of corporate administrative expenses, (loss)/gain on changes in fair value of convertible notes, impairment losses and write offs, finance costs, corporate directors' emoluments, loss on disposal of subsidiaries, gain/(loss) on deregistration of subsidiaries, corporate interest income and income tax credit. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

All assets are allocated to reportable segments other than deferred tax assets, pledged time deposits and cash and cash equivalents.

All liabilities are allocated to reportable segments other than bank and other borrowings, amount due to a director, amounts due to related parties, deferred tax liabilities and convertible notes.

(c) Geographic information

The geographical location of customers is based on the location at which the goods delivered. The geographical location of the non-current assets is based on the physical and operating location of the assets.

The Group's operations and workforce are mainly located in the PRC (country of domicile), including Hong Kong.

The following table provides an analysis of the Group's revenue from external customers.

	Continuing operations		Discontinued operations		Total	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asia						
– PRC including Hong Kong	238	4,174	–	8,956	238	13,130
– other region	39,674	41,104	–	7,514	39,674	48,618
Europe	10,967	12,229	–	–	10,967	12,229
North and South America	38,127	74,906	–	8,972	38,127	83,878
	89,006	132,413	–	25,442	89,006	157,855

The following table provides an analysis of the Group's non-current assets other than deferred tax assets.

	Continuing operations		Discontinued operations		Total	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asia						
– PRC including Hong Kong	17,845	63,483	–	–	17,845	63,483

Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group are set out below:

	2013 HK\$'000	2012 <i>HK\$'000</i>
Customer A – manufacture and sale of medical devices products	24,685	51,690
Customer B – manufacture and sale of plastic moulding products	22,992	28,563
Customer C – manufacture and sale of plastic moulding products	17,022	17,518
Customer D – manufacture and sale of plastic moulding products	–	17,185

The percentage of total revenue on major customers is set out below:

	2013	2012
Customer A – manufacture and sale of medical devices products	28%	33%
Customer B – manufacture and sale of plastic moulding products	26%	18%
Customer C – manufacture and sale of plastic moulding products	19%	11%
Customer D – manufacture and sale of plastic moulding products	–	11%

3. Turnover

Revenue represents the net invoiced value of goods sold, net of value-added tax, returns, rebates and trade discounts. Revenue from the Group's principal activities recognised during the year is as follows:

	2013 HK\$'000	2012 <i>HK\$'000</i>
Continuing operations		
– sales of goods	89,006	132,413

4. Other income

Analysis of the Group's other income recognised during the year is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Continuing operations		
Exchange gain, net	95	17
Interest income	39	97
Gain/(Loss) on deregistration of subsidiaries	4,384	(631)
Gain on disposal of property, plant and equipment	371	174
Gain on disposal of available-for-sale financial assets	–	68
Gain arising from forfeiture of deposit paid for new share subscription	3,740	–
Others	277	287
	<u>8,906</u>	<u>12</u>

5. Impairment losses and write offs

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Continuing operations		
Impairment loss on property, plant and equipment (<i>Note 9</i>)	5,679	–
Impairment loss on goodwill (<i>Note 10</i>)	34,071	21,455
Trade receivables written off	174	24
Impairment loss on other deposits, prepayments and other receivables (<i>Note 11</i>)	1,057	4,230
	<u>40,981</u>	<u>25,709</u>

6. Loss before income tax expense

The Group's loss before income tax expense is arrived at after charging:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Continuing operations		
Staff costs (including directors' emoluments)		
Contribution to defined contribution retirement plan	914	1,025
Salaries, wages and other benefits	<u>33,562</u>	<u>37,246</u>
	<u>34,476</u>	<u>38,271</u>
Depreciation of property, plant and equipment		
– Owned	6,451	6,440
– Held under finance leases	204	204
Auditor's remuneration	730	830
Operating lease charges in respect of properties	4,132	4,131
Cost of inventories recognised as expenses	<u>52,794</u>	<u>86,756</u>

7. Income tax credit

	Continuing operations		Discontinued operations		Total	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax – Hong Kong Tax						
– Tax for the year	–	205	–	–	–	205
– Over provision in respect of prior years	<u>(41)</u>	<u>(64)</u>	<u>–</u>	<u>(132)</u>	<u>(41)</u>	<u>(196)</u>
	(41)	141	–	(132)	(41)	9
Current tax – PRC Enterprise Income Tax						
– Tax for the year	<u>2</u>	<u>3</u>	<u>–</u>	<u>–</u>	<u>2</u>	<u>3</u>
	2	3	–	–	2	3
Deferred tax	<u>(102)</u>	<u>(395)</u>	<u>–</u>	<u>–</u>	<u>(102)</u>	<u>(395)</u>
	<u>(141)</u>	<u>(251)</u>	<u>–</u>	<u>(132)</u>	<u>(141)</u>	<u>(383)</u>

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

No Hong Kong Profits Tax has been provided as no estimated assessable profits were derived by the Group in Hong Kong for the years ended 31 December 2013 and 2012.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

8. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

For continuing and discontinued operations

The calculation of the basic (loss)/earnings per share from continuing and discontinued operations is based on the loss attributable to the owners of the Company of HK\$74,613,000 (2012: HK\$44,650,000) and the weighted average of 875,823,986 (2012: 875,823,986) ordinary shares in issue during the year.

The weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share has been adjusted for the share consolidation on 26 March 2013 as set out in Note 13.

For continuing operations

The calculation of the basic loss per share from continuing operations is based on the loss attributable to the owners of the Company of HK\$74,613,000 (2012: HK\$55,532,000) and the weighted average of 875,823,986 (2012: 875,823,986) ordinary shares in issue during the year.

For discontinued operations

For the year ended 31 December 2012, the calculation of the basic earnings per share from discontinued operations is based on the profit attributable to the owners of the Company of HK\$10,882,000 and the weighted average of 875,823,986 ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

No diluted (loss)/earnings per share has been presented because there was no potential dilutive ordinary shares in issue for the years ended 31 December 2013 and 2012.

The Company's outstanding share options and outstanding convertible notes were not taken into account as both had an anti-dilutive effect for the years ended 31 December 2013 and 2012.

9. Property, plant and equipment

	Leasehold buildings at revalued amounts <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1 January 2012	194	125,899	9,617	2,858	138,568
Exchange adjustment	–	30	19	4	53
Addition at cost	–	858	261	1,548	2,667
Disposals	(194)	(22,982)	–	(1,419)	(24,595)
Written off	–	(84,111)	(5,700)	–	(89,811)
At 31 December 2012	–	19,694	4,197	2,991	26,882
At 1 January 2013	–	19,694	4,197	2,991	26,882
Exchange adjustment	–	70	2	–	72
Addition at cost	–	2,044	3	1,907	3,954
Disposals	–	(3,972)	(48)	–	(4,020)
Written off	–	–	(1,136)	–	(1,136)
At 31 December 2013	–	17,836	3,018	4,898	25,752
Accumulated depreciation and impairment					
At 1 January 2012	–	107,803	7,219	1,499	116,521
Exchange adjustment	–	–	–	1	1
Depreciation	–	4,855	1,360	594	6,809
Elimination on disposals	–	(22,982)	–	(1,263)	(24,245)
Written off	–	(84,091)	(5,689)	–	(89,780)
At 31 December 2012 and 1 January 2013	–	5,585	2,890	831	9,306
Exchange adjustment	–	5	5	(1)	9
Depreciation	–	4,465	762	1,428	6,655
Impairment loss	–	5,679	–	–	5,679
Elimination on disposals	–	(741)	(29)	–	(770)
Written off	–	–	(1,136)	–	(1,136)
At 31 December 2013	–	14,993	2,492	2,258	19,743
Net book value					
At 31 December 2013	–	2,843	526	2,640	6,009
At 31 December 2012	–	14,109	1,307	2,160	17,576

The net carrying value of motor vehicle held under finance leases of the Group was approximately HK\$305,000 (2012: HK\$509,000). The asset is pledged to secure the Group's obligation under finance leases.

Impairment loss

The Group recorded a segmental loss of HK\$9,687,000 (2012: HK\$7,422,000) in the segment of manufacture and sale of plastic moulding products. As a result, the property, plant and equipment which relates to this segment, and which also constitutes a cash generating unit ("CGU"), were then assessed for impairment. The recoverable amount of this property, plant and equipment was based on a value in use calculation, using cash flow projection based on estimates and financial budgets approved by the management. These projections cover a five-year period, and have been discounted using a pre-tax discount rate of 15.51%. The value in use calculated was below zero.

All of the assumptions and estimations involved in the preparation of the cash flow projection including budgeted gross margin, discount rate and growth rate are determined by the management of the Group based on past performance, experience and their expectation for market development.

In view of the negative net present value of the future estimated cash flows of this CGU, the property, plant and equipment relating to this CGU were written down to zero, with an impairment loss of HK\$5,679,000 recognised in "Impairment losses and write offs" in the current year (Note 5).

10. Goodwill

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cost	67,362	67,362
Less: Accumulated impairment loss	<u>(55,526)</u>	<u>(21,455)</u>
Net book value	<u><u>11,836</u></u>	<u><u>45,907</u></u>

Impairment testing on goodwill

All of the goodwill at 31 December 2013 relates to the manufacture and sale of medical devices products business unit acquired as part of the acquisition of the Titron Group in 2011. At the year end, the goodwill relating to this business unit, which is also a CGU is subject to impairment testing.

The recoverable amount of the CGU has been determined using cash flow projections under various scenarios based on estimates and financial budgets approved by the management. These projections cover a five-year period, and have been discounted using a pre-tax discount rate of 18.88%. The cash flows beyond that five-year period have been extrapolated using a zero growth rate.

All of the assumptions and estimations involved in the preparation of the cash flow projection including budgeted gross margin, discount rate and growth rate are determined by the management of the Group based on past performance, experience and their expectation for future market development.

Based on the assessment, the recoverable amount of the CGU is determined to be HK\$14,863,000. The carrying amount of the CGU has been reduced to the recoverable amount and accordingly, an impairment loss of HK\$34,071,000 (2012: HK\$21,455,000) has been recognised in the current year. This significant impairment loss is primarily due to the performance of this business segment, not matching up to management's expectations in 2013 and the business unit's expected performance in 2014 and beyond. Much of the problem arose due to delay of the customer's production schedules, which was caused by the recall of one of ultimate customers' products.

11. Trade and other receivables

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade receivables	10,213	18,059
Other deposits, prepayments and other receivables	8,504	13,010
Less: Impairment loss recognised on other deposits, prepayments and other receivables	<u>(5,287)</u>	<u>(4,230)</u>
	<u>3,217</u>	<u>8,780</u>
Total trade and other receivables	<u>13,430</u>	<u>26,839</u>

The Group allows an average credit period of 30 to 90 days (2012: 30 to 90 days) to its trade customers. The following is an aged analysis of trade receivables (net of accumulated impairment losses) by invoice date as at the end of the reporting period.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current	1	83
1 to 90 days	10,027	17,731
91 to 180 days	59	28
Over 181 days	<u>126</u>	<u>217</u>
Trade receivables	<u>10,213</u>	<u>18,059</u>

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current liability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customers operate. The Group does not hold any collateral over these balances. Receivables that were neither past due nor impaired constitute about 73% (2012: 55%) of total trade receivables, and relate to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances. The following is an aged analysis of trade receivables (net of accumulated impairment losses) by due date as at the end of the reporting period.

	2013 HK\$'000	2012 HK\$'000
Neither past due nor impaired	<u>7,452</u>	<u>9,992</u>
Less than 3 months past due	2,606	7,827
3 to 6 months past due	67	23
Over 6 months past due	<u>88</u>	<u>217</u>
	<u>2,761</u>	<u>8,067</u>
Trade receivables	<u>10,213</u>	<u>18,059</u>

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$2,761,000 (2012: HK\$8,067,000) which are past due as at the reporting date for which the Group has not provided any impairment loss. The Group does not hold any collateral over these balances.

Receivables that were past due but not impaired relate to a number of independent customers that have a good repayment record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movement in the impairment losses of other deposits, prepayments and other receivables

	2013 HK\$'000	2012 <i>HK\$'000</i>
At 1 January	4,230	–
Impairment loss recognised (<i>Note 5</i>)	<u>1,057</u>	<u>4,230</u>
At 31 December	<u><u>5,287</u></u>	<u><u>4,230</u></u>

Included in other deposits, prepayments and other receivables are refundable earnest monies of approximately HK\$5,300,000 paid to the potential vendors (the “Vendors”) for a possible acquisition of a company specialised in clinical studies in various areas of pathology in Germany (the “Investment Project”). A non-legal binding memorandum of understanding was entered into by the Company and the Vendors on 28 September 2012 as per the announcement made by the Company on 2 October 2012. No formal agreement was entered into by the Company and the Vendors as at 31 December 2012. During the year, the management decided to abandon the Investment Project as due diligence revealed that patents of the Vendors legal title problems. As a result, an allowance for impairment of HK\$1,057,000 (2012: HK\$4,230,000) has been recognised for the year based on an impairment assessment carried out by the management as at 31 December 2013.

12. Trade and other payables

	2013 HK\$'000	2012 <i>HK\$'000</i>
Trade payables	6,121	6,247
Accruals and other payables	<u>16,192</u>	<u>23,575</u>
	22,313	29,822
Amounts due to related parties	<u>9,200</u>	<u>9,200</u>
	<u><u>31,513</u></u>	<u><u>39,022</u></u>

As at 31 December 2013 and 2012, included in amounts due to related parties is an amount due to a Titron Group Holdings Limited (“TGHL”), in the amount of HK\$1,700,000 (2012: HK\$1,700,000). TGHL was the vendor in the acquisition of the Titron Group in 2011, further details of which are set out in Note 10. All of the shareholders of TGHL own shares in the Company, and include Yip Wai Lun, Alvin the Chairman and Managing Director of the Company. This amount was unsecured, interest-free and repayable on demand. Included in accruals and other payables is an aggregate amount of HK\$7,500,000 due to TGHL. As set out in Note 1, TGHL has agreed not to demand repayment of this amount until such time when repayment will not affect the Group’s ability to settle its obligations as and when they arise.

The remaining balance of amounts due to related parties were also unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2013 HK\$'000	2012 <i>HK\$'000</i>
Within 3 months	5,760	6,182
Over 3 months but within 6 months	<u>361</u>	<u>65</u>
	<u>6,121</u>	<u>6,247</u>

The average credit period on purchases of goods is 30-90 days (2011: 30-90 days).

13. Share capital

	Par value per share HK\$	Number of shares	Amount HK\$'000
<i>Authorised:</i>			
Balance as at 31 December 2012 and 31 December 2013	<u>0.01</u>	<u>40,000,000,000</u>	<u>400,000</u>
	Par value per share HK\$	Number of shares	Amount HK\$'000
<i>Issued and fully paid:</i>			
Balance as at 1 January 2012 and 31 December 2012	0.01	8,758,239,861	87,582
Share consolidation of every ten (10) shares of par value of HK\$0.01 each into one (1) consolidated share of par value HK\$0.1 each; and reduction par value of each consolidated share from HK\$0.1 to HK\$0.01	<u>0.01</u>	<u>(7,882,415,875)</u>	<u>(78,824)</u>
Balance as at 31 December 2013	<u>0.01</u>	<u>875,823,986</u>	<u>8,758</u>

Notes:

Save as disclosed in the Company's circular dated 1 March 2013 in respect of a proposed capital reorganisation ("Capital Reorganisation") which was approved by the shareholders of the Company in a special general meeting of the Company on 25 March 2013, the Capital Reorganisation has become effective on 26 March 2013 as details below.

- (a) Every ten (10) existing shares of HK\$0.01 each in the issued share capital of the Company were consolidated into one (1) consolidated share of HK\$0.10 each;
- (b) The issued share capital was reduced by cancelling of HK\$0.09 of the paid-up capital on each issued consolidated share so that the par value of each issued consolidated share be reduced from HK\$0.10 to HK\$0.01;
- (c) The entire amount standing to the credit of the share premium account of the Company was cancelled; and
- (d) The credit arising from the share premium account of the Company was transferred to the contributed surplus account of the Company to be applied to set off against the accumulated losses of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS, BUSINESS REVIEW AND PROSPECTS

Results

In 2013, the unstable global economic and decline in the demand of customers' end products have caused a sluggish business performance of the Group. The Group's continuing operations recorded a turnover of HK\$89 million, representing a decrease of HK\$43.4 million or 32.8% as compared to that of last financial year. The Group suffered from the pressure of tough manufacturing conditions, and gross profit margin decreased from 22.6% as recorded in previous year to 15.7% for the year. The erosion in gross profit margin was caused by increased labor and overhead costs, though our ongoing cost reduction programs and sales price adjustments to customers offset part of the impact. The loss from continuing operations for the year of 2013 was HK\$74.6 million, an increase of HK\$19.1 million or 34.4%, as compared to the loss of HK\$55.5 million last year. The loss increased was mainly attributable to the net effect of (i) a decline in turnover and gross profit margin of the Group; (ii) HK\$4.4 million gain on deregistration of certain subsidiaries; (iii) impairment losses on property, plant and equipment, goodwill and other deposits, prepayments and other receivables of HK\$5.7 million, HK\$34.1 million and HK\$1.1 million respectively; and (iv) HK\$1.6 million loss in fair value of the outstanding convertible notes while HK\$4.9 million gain in fair values was recorded in previous year.

During the past two years, the Company has made strategic decision to restructure and streamline the business operations as so to focus its resources in developing on the businesses of manufacture and sale of medical devices products and manufacture and sale of plastics moulding products. During the year under review, the Group did not have any discontinued operating activities while a gain from discounted operations in manufacture and sale of data media products and distribution of data media products was HK\$10.9 million in 2012.

The Group's overall loss attributable to owners was HK\$74.6 million (2012: HK\$44.7 million) for the year ended 2013, representing an increase of HK\$29.9 million or 67.1% as compared to last year.

Business review

Manufacture and sale of medical device products

For the year ended 2013, the manufacture and sale of medical products segment recorded revenue of approximately of HK\$24.7 million, accounted for 27.7% (2012: 39.0%) of the Group's turnover. This business segment represented a decrease of HK\$27.0 million or 52.2% from HK\$51.7 million in the previous year, which was primarily due to the decrease in sales orders from its key customer in America as a result of the weakened demand of customer's end products. The Company relies on production schedules provided by its customers to plan and implement production. The sudden drop in the customer orders was mainly due to the recall of one of ultimate customers' products, which had created production inefficiency for a certain period before proper capacity adjustments. Hence, segment's performance was turning from gain of HK\$2.7 million in 2012 to loss of HK\$6.0 million in the current year, which was the result of increased production cost and administrative expenses. An impairment loss on goodwill of HK\$34.07 million (2012: HK\$21.46 million) has been recognised in the current year.

Manufacture and sale of plastics moulding products

The segment of manufacture and sale of plastics moulding products was still the major contributor of the Group's turnover, which amounted to HK\$64.3 million (2012: HK\$80.7 million) and accounted for 72.3% (2012: 61.0%) for the year under review. Owing to a sluggish business environment in the global market which caused the customers to be more conservation in placing order, the segment revenue had recorded a year-on-year decrease of 20.3%. As operating in highly competitive markets with a number of other manufacturers that produce and sell similar products, we primarily compete on the basis of capability, product quality, cost, and delivery to maintain market share. Under this global environment of severe competition, the segmental loss was further deteriorated from loss of HK\$7.4 million in last year to loss of HK\$9.7 million in 2013 due to increased production cost. As at 31 December 2013, the management had assessed the recoverable amount of this business segment and determined that an impairment loss of HK\$5.7 million in respect of property, plant and equipment was recognised in 2013.

Prospects

Rising production cost will remain the major challenge to our performance. To cope with the challenging operational environment in our sector and sharpen our competitive position, the Group is pursuing and evaluating the feasibility of providing integrated services to our customers from design all the way to finish product. Also, we are in process of evaluating the distribution channel and market function for customer products, as well as developing our own products and brands.

The Group will continue to seek opportunities for business integration both with new and within our existing sectors, in order to broaden and improve our sustainable profitability in the future.

FINANCIAL REVIEW

Capital and debt structure

As at 31 December 2013, the Group's consolidated net liabilities was approximately HK\$36.7 million, representing approximately HK\$74.2 million, equivalent to a 197.7%, decrease compared with that of 31 December 2012, primarily arising from the operating loss for the year.

As at 31 December 2013, the Company has 875,823,986 shares of HK\$0.01 each (the "Shares") in issue. On 26 March 2013, the Company effected the capital reorganisation, which included:

- i. share consolidation of every ten (10) issued shares of par value HK\$0.01 each into one (1) issued consolidated share of par value HK\$0.10 each;
- ii. capital reduction of the par value of each issued consolidated share from HK\$0.10 to HK\$0.01 by cancellation of HK\$0.09 of the paid-up capital on each issued consolidated share; and
- iii. cancellation of the entire amount standing to the credit of the share premium account of the Company.

As a result of the capital reorganisation, there were approximately HK\$78.8 million from share capital and HK\$223.8 million from share premium credited to the contributed surplus account of the Company and was applied for setting off the accumulated loss of the Company.

As at 31 December 2013, the Company has outstanding convertible notes issued as partial consideration for the acquisition of the Titron Group valued at approximately HK\$23.2 million, of which, approximately HK\$7.1 million was classified as non-current liabilities due to the conversion conditions applicable to their convertibility.

As at 31 December 2013, the Group's total borrowings from financial institutions amounted to HK\$16.3 million, representing an increase by HK\$6.3 million from HK\$10 million as at 31 December 2012. Over 99.9% of the borrowings were payable within one year. Since most of the borrowings were denominated in Hong Kong dollars, the risk of currency exposure was minimal. The Group's total cash and bank balances amounted to approximately HK\$4.6 million at 31 December 2013, which was about HK\$5.6 million lower than the position of HK\$10.2 million at 31 December 2012.

The Group recorded a negative figure on total equity and the gearing ratio was not applicable for the year while that of 31 December 2012 was 95.0%. The ratio was determined by bank and other borrowings, amount to a director, obligations under finance leases and convertible notes over shareholders' equity.

Working capital and liquidity

As at 31 December 2013, the Group's current ratio and quick ratio were 0.4 and 0.3 respectively (31 December 2012: 0.8 and 0.7 respectively). Inventory turnover on sales of continuing operations increased to 30 days which is 5 days longer than that at 31 December 2012. Receivable turnover of continuing operations was 58 days while it was 57 days at 31 December 2012.

The Group has incurred a loss of HK\$74.6 million and at the end of the reporting period, the Group has net current liabilities of HK\$47.4 million and a capital deficiency of HK\$36.7 million.

Notwithstanding these conditions the going concern basis has been adopted on the basis that a Director and a certain related party have undertaken not to demand for repayment of debts due to them at 31 December 2013 of HK\$12,150,000 and HK\$7,500,000, respectively, until such time repayment will not affect the Company's ability to repay other creditors in the normal course of business.

On 24 March 2014, the Company had signed two placing agreements, which secured a minimum capital injection of HK\$40 million by April 2014. It is believed that these fund raising exercises will provide an opportunity to broaden the shareholders and strengthened the capital base and working capital of the Group. Further detail of the placing agreements in relation to the placing had been disclosed in an announcement of the Company dated 24 March 2014.

Also, as at 31 December 2013, included in the current liabilities is the current portion of convertible notes of HK\$16,112,000. The convertible notes were issued pursuant to the acquisition of the Titron Group. Under the terms of the convertible note agreement, these notes must be converted into shares of the Company at the agreed (fixed) conversion price. Accordingly, the settlement of these convertible notes will not have any adverse cash flow impact to the Group.

Contingent liabilities and charges

As at 31 December 2013, the Group has pledged its assets with an aggregate net book value of HK\$3.7 million (31 December 2012: HK\$4.0 million) to secure bank facilities granted and finance lease obligations. The Group had no material contingent liabilities at 31 December 2013.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the number of employees of the Group was approximately 150 (31 December 2012: 217). The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account the current industry practices. Remuneration packages of employees include salaries, insurance, mandatory provident fund and share option scheme. Other employee benefits include medical cover, housing allowance and discretionary bonuses.

FINAL DIVIDEND

No payment of dividends has been proposed by the Board in respect of the year ended 31 December 2013 (2012: Nil).

CAPITAL REORGANISATION

On 5 February 2013, the Board proposed the capital reorganisation, every ten (10) existing shares of HK\$0.01 each in the issued share capital of the Company was proposed to be consolidated into one (1) consolidated share of HK\$0.10 (the “Share Consolidation”) and immediately following to the Share Consolidation, the paid-up capital of the Company to the extent of HK\$0.09 on each issued consolidated share was reduced from HK\$0.10 to HK\$0.01 (collectively, the “Capital Reorganisation”). The Capital Reorganisation has been approved by the shareholders of the Company at the special general meeting held on 25 March 2013. Upon the Capital Reorganisation becoming effective on 26 March 2013, the trading board lot size of the share of the Company has also been changed from 2,000 existing shares per board lot to 10,000 new shares per board lot. Details of Capital Reorganisation are set out in the Company’s announcements dated 5 February 2013, 25 March 2013 and 28 March 2013 and circular dated 1 March 2013.

EVENTS AFTER THE REPORTING DATE

Pursuant to an announcement made by the Company on 24 March 2014, the Company and a placing agent (the “Placing Agent”) entered into a placing agreement (the “GM Placing Agreement”) under the general mandate (the “General Mandate”) on the same date, pursuant to which the Company has conditionally agreed to offer for subscription and the Placing Agent has agreed to procure, as placing agent of the Company, not less than six placees to subscribe, failing which, the Placing Agent itself will subscribe for 175,160,000 placing shares (the “GM Placing Shares”) at a price of HK\$0.239 per GM Placing Share (collectively, the “GM Placing”). The placees and their ultimate beneficial owners shall be independent third parties. The GM Placing Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the annual general meeting of the Company held on 31 May 2013. The net proceed of HK\$40,300,000, after deducting commission and placing expenses, will be utilised as general working capital of the Group. The GM Placing is expected to be completed on or before 10 April 2014 subject to fulfilment of the condition of the GM Placing Agreement.

A second placing agreement has also been entered into with the Placing Agent on 24 March 2014 pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best endeavour basis, up to 175,160,000 placing shares (the “SM Placing Shares”) under a specific mandate (the “Specific Mandate”), to not less than six placees who and whose beneficial owners are independent third parties at a placing price of HK\$0.239 per SM Placing Shares by 30 June 2014 or such other date as the parties may agree in writing (collectively,

the “SM Placing”). The SM Placing Shares will be allotted and issued pursuant to the Specific Mandate be obtained at the special general meeting of the Company. Assuming the SM Placing Shares have been placed successfully, the maximum net proceed of HK\$40,100,000, after deducting commission and other expenses of the SM Placing, will be used for the development and marketing of medical or healthcare related products.

The GM Placing and the SM Placing are not inter-conditional. Details of the GM Placing and the SM Placing are set out in the Company’s announcement dated 24 March 2014.

CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Corporate Governance Code (“CG Code”) throughout the year ended 31 December 2013 as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except for certain deviations disclosed herein.

Code Provision A.1.3

Under this code provision, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend.

During the year, one out of four Board meetings was convened with less than 14 days’ notice to enable the Board members to react timely and make expeditious decisions in respect of urgent corporate transaction which was significant in nature. As a result, the Board meeting was held with a shorter notice period than required with the consent of the Directors. The Board will do its best endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future.

Code Provision A.2.1

Under this code provision, the roles of chairman and the chief executive should be separate and should not be performed by the same individual.

Mr. Yip Wai Lun, Alvin was the Chairman and Managing Director of the Company (the Company regards the role of its managing director to be the same as that of chief executive under the CG Code) during the year ended 31 December 2013.

During the year under review, the Group has been streamlining its operations, including business development, operation efficiency and financial management. The Board considers that it would be in the best interest of its shareholders that the roles of the Chairman and the Managing Director of the Company be combined to enable a strong and dedicated leadership to reposition the Company and implement effective measures to improve shareholders' value. In this light, the Company has maintained Mr. Yip Wai Lun, Alvin as the Chairman and the Managing Director of the Company. The Company will review the current structure when and as it becomes appropriate.

Code Provision A.6.7

Under this code provision, all independent non-executive directors and non-executive directors should attend general meetings of listed issuers. Mr. Leung Ka Kui, Johnny, an Independent Non-Executive Director, was unable to attend the special general meeting of the Company held on 25 March 2013 due to his personal commitment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the “Audit Committee”) comprises three Independent Non-executive Directors, namely Mr. Chan Kam Kwan, Jason (Chairman of the Audit Committee), Mr. Leung Ka Kui, Johnny and Mr. Lau Man Tak. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including the review of the audited results for the year ended 31 December 2013.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2013 have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

APPRECIATION

On behalf of the Board, I would like to express appreciation to colleagues for their hard work and dedication in the past year. We will remain committed to achieving better results and maximising returns to our shareholders.

By Order of the Board
AMCO United Holding Limited
Yip Wai Lun, Alvin
Chairman and Managing Director

Hong Kong, 27 March 2014

As at the date of this announcement, Mr. Yip Wai Lun, Alvin and Ms. Leung Mei Han are the Executive Directors; and Mr. Leung Ka Kui, Johnny, Mr. Chan Kam Kwan, Jason and Mr. Lau Man Tak are the Independent Non-executive Directors.