Pacific Plywood Holdings Limited

太平洋實業控股有限公司

(Stock Code : 00767)

Annual Report 2010

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Liang Jian Hua, *Chairman*
(appointed as executive director on 29 April 2010; appointed as *Chairman* on 24 January 2011)
Mr. Huang Chuan Fu, *Deputy Chairman*
(appointed as executive director on 13 April 2010; appointed as *Deputy Chairman* on 24 January 2011)
Ms. Jia Hui (appointed on 13 April 2010)
Mr. Jiang Yi Ren (appointed on 29 April 2010)

Mr. Liao Yun Kuang (resigned on 28 October 2010)
Mr. Yu Chien Te (resigned on 28 October 2010)
Dr. Widodo Budiono (resigned on 17 January 2011)
Mr. Widodo Sardjono (resigned on 17 January 2011)

NON-EXECUTIVE DIRECTORS

Mr. Chan Kin Sang (appointed on 22 April 2010)
Mr. Wong Chun Hung (appointed on 22 April 2010)
Mr. Cheng Po Yuen (appointed on 24 November 2010)

Mr. Kusnadi Pipin (resigned on 13 April 2010)
Mr. Halim Sudjono (resigned on 13 April 2010)
Mr. Widjaja Kusnadi (resigned on 22 April 2010)
Mr. Siah Chong Huat (resigned on 22 April 2010)
Mr. Usman Marzuki (resigned on 28 October 2010)

COMPANY SECRETARY

Ms. Tam Hang Yin (appointed on 31 August 2010)

Mr. Lau Kin Wah (resigned on 31 August 2010)

AUDIT COMMITTEE MEMBERS

Mr. Wong Chun Hung, *Chairman*
(appointed as member on 22 April 2010; appointed as *Chairman* on 28 October 2010)
Mr. Chan Kin Sang (appointed on 22 April 2010)
Mr. Cheng Po Yuen (appointed on 24 November 2010)

Mr. Widjaja Kusnadi (resigned on 22 April 2010)
Mr. Siah Chong Huat (resigned on 22 April 2010)
Mr. Usman Marzuki (resigned on 28 October 2010)

REMUNERATION COMMITTEE MEMBERS

Mr. Wong Chun Hung, *Chairman*
(appointed on 22 April 2010)
Mr. Chan Kin Sang (appointed on 22 April 2010)
Mr. Huang Chuan Fu (appointed on 28 October 2010)
Mr. Cheng Po Yuen (appointed on 24 November 2010)

Mr. Widjaja Kusnadi (resigned on 22 April 2010)
Mr. Liao Yun Kuang (resigned on 28 October 2010)
Mr. Usman Marzuki (resigned on 28 October 2010)

AUDITOR

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

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

PRINCIPAL OFFICE

Unit 1903, 19/F.
West Tower Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

COMPANY'S WEBSITE

http://www.irasia.com/listco/hk/pphl

STOCK CODE

767

LETTER FROM THE BOARD

On behalf of the board of directors (the "Board") of Pacific Plywood Holdings Limited (the "Company"), I have pleasure to report on the financial results, operations and other aspects of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010.

FINANCIAL RESULTS

For the year ended 31 December 2010, the Group's profit for the year increased to US$9,814,000 (2009: loss of US$9,794,000), the basic and diluted earnings per share increased to US$15.74 cents per share and US$13.32 cents per share (2009: loss of US$18.44 cents per share and loss of US$18.44 cents per share).

As at 31 December 2010, the consolidated net assets of the Group was US$11,766,000 compared to the consolidated net liabilities of US$12,309,000 as at 31 December 2009.

DIVIDEND

No dividend for the year ended 31 December 2010 (2009: nil) is recommended by the Board.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Plywood business

The plywood business had been incurring losses for more than two years persistently and led the Group into a net liabilities position. Even though the plywood market rebounded from its bottom due to the limited supply of logs, the rise in raw materials prices and other related costs had led the operation of the plywood business strenuous and loss-making. The cash flow of the Group was tied up so as to serve the significant indebtedness which was utilized to finance the plywood business. This impaired the going concern of the Group. Against these backgrounds, the Group disposed the plywood business during the year for the sake of the shareholders' interest and the Group as a whole.

Money lending and provision of credits business

Upon the completion of the acquisition of 51% share interest of Delta Wealth Finance Limited (the "Delta Wealth") (formerly known as Head & Shoulders Finance Limited) in October 2010 and the aforesaid disposal of plywood business in December 2010, the Group had emerged from the plywood business to money lending and provision of credits business. Although there is still uncertainty in global financial market, the Board is optimistic about the future prospect of the money leading and provision of credits business. The Board is confident that the existing business will keep growing and be profitable in long run due to (i) the interest rate provided by both global banks and local banks will maintain at a low rate in the foreseeable future which will in turn stimulate the demand of borrowing; (ii) Hong Kong is a springboard for both individual and corporate investors in the People's Republic of China (the "PRC") where the development and borrowing needs keep surging; and (iii) the consistent inflow of hot money and affluence into the Hong Kong financial market.

OUTLOOK

Given that (i) the economy of Hong Kong has been stepping up from the economic downturn; (ii) the quantitative easing program launched by the United States' government which should kindle investment and the funding needs; and (iii) the upsurge of interest rate in PRC banks which are our competitors as a result of the PRC inflation-curbing policies, the Board expects there would be a persistently increasing demand on money lending and the provision of credits, e.g. personal loans from the general public in Hong Kong and it is a good timing for the Group to further develop the business of money lending and provision of credits so as to create a sustainable growth in the long run.

Meanwhile, having disposed the loss-making plywood business, resources of the Group can be consolidated which help fuel the Group's growth and enable the Group to capture any profitable investment opportunities when they arise.

The Group will continue to explore ways to improve the financial performance of the Group, to diversify the Group's operations into new and more profitable businesses and to broaden the source of revenue.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2010, the Group recorded net current assets of approximately US$11.1 million, compared to net current liabilities of approximately US$70.5 million as at 31 December 2009. The decrease in net current liabilities could be attributable to the successful disposal of Ankan Holdings Limited, Georich Trading Limited and SMI Global Corporation, which were direct wholly-owned subsidiaries of the Company. Ankan Holdings Limited was an investment holding Company, subsidiaries of which were: (1) SMI Management & Co., Pte. Limited; (2) Manuply Wood Industries (S) Sdn Bhd; (3) Glowing Schemes Sendirian Berhad; (4) Daunting Services Limited; (5) Sevier Pacific Limited; and (6) Pacific Plywood Limited; and an associated company, Segereka Sendirian Berhad.

Capital structure

During the year ended 31 December 2010

On 19 October 2010, the Company issued 12,500,000 ordinary shares at HK$0.16 per share of the Company as consideration shares to settle part of the consideration of HK$52,000,000 in total for the acquisition of 51% of the equity interest and shareholders loan of Delta Wealth.

Besides the consideration shares, there is an outstanding convertible notes with a principal amount of HK$48,000,000 at an initial conversion price of HK$0.16 per conversion share exercisable into 300,000,000 ordinary shares of the Company with par value of HK$0.025 per ordinary share upon conversion in full to settle part of the consideration to acquire Delta Wealth.

On 2 March 2010 and 30 November 2010, the Company entered into two separate placing agreements which were completed on 29 March 2010 and 9 December 2010 respectively. Consequently, 265,540,000 ordinary shares at a placing price of HK$0.158 per share compared to market price of HK$0.196 on 1 March 2010 and 321,000,000 ordinary shares at a placing price of HK$0.105 per placing share compared to market price of HK$0.106 on 30 November 2010 were successfully placed to independent placees. A net proceeds of HK$41.7 million (equivalent to approximately US$5.4 million) and HK$32.61 million (equivalent to approximately US$4.2 million) were raised by the Company respectively for general corporate and working capital of the Group and/or the future development of the Group.

At the special general meeting of the Company held on 30 November 2010, a special resolution proposing the capital reorganization was passed and the details were as follows:

(i) to reduce the par value of each issued ordinary share from HK$0.025 to HK$0.001; and

(ii) to subdivide each authorized but unissued ordinary share into 25 new shares of HK$0.001 each.

Upon the completion of the said capital reorganization on 1 December 2010, the number of issued ordinary share of the Company was 1,605,819,448 with a nominal value of HK$0.001 each.

As at 31 December 2010, the number of issued ordinary share of the Company was 1,926,819,448 with a nominal value of HK$0.001 after the aforesaid placing of 321,000,000 ordinary shares.

On 20 December 2010, the Board further announced a proposal for share consolidation and change in board lot size as follows:

(i) to consolidate every 25 issued and unissued ordinary shares of nominal value of HK$0.001 each into one consolidated share of nominal value of HK$0.025; and

(ii) to change the board lot size of the shares from 20,000 ordinary shares into 2,000 consolidated shares.

Subsequent to the financial year ended 31 December 2010

The aforesaid share consolidation and change in board lot size was completed on 10 January 2011 and the total number of issued ordinary share of the Company was 77,072,777 with par value of HK$0.025 per share. The conversion price of the HK$48,000,000 aforesaid convertible notes was adjusted to HK$4.00 per conversion share due to the share consolidation.

On 21 January 2011, the Company entered into a placing agreement to place 15,400,000 new ordinary shares at a price of HK$0.73 per placing share. Furthermore, the Company entered into a supplemental agreement with placing agent, pursuant to which the placing price had been revised to HK0.74 per placing share. A net proceeds of approximately HK$11.03 million was raised and for general corporate and working capital of the Group and/or the future development of the Company. Such placing of shares was completed on 1 February 2011 and the total number of issued ordinary share became 92,472,777 with par value of HK$0.025 per share.

On 8 March 2011, the Company proposed to raise gross proceeds of approximately HK$221.93 million, before expenses, by issuing 2,774,183,310 rights shares to the qualifying shareholders by way of rights issue at the subscription price of HK$0.08 per rights share on the basis of thirty rights shares for every one existing share held on 26 April 2011 (the “Rights Issue”). This proposed Rights Issue is subject to the approval of the independent shareholders on the special general meeting of the Company to be held on 13 April 2011.

On 8 March 2011, the Company proposed to place convertible notes of up to HK$100,000,000 in a maximum of three tranches at conversion price of HK$0.58 per share (if the Rights Issue does not become unconditional or does not proceed at the time of issue of the convertible notes) or HK$0.082 per share (if the Rights Issue has become unconditional at the time of issue of the convertible notes). In the event the convertible notes are issue prior to the completion of the Rights Issue, the conversion price shall be HK$0.58 which shall be adjusted to HK$0.082 upon completion of the Rghts Issue. This proposed placing of convertible notes is subject to the approval of the shareholders on the special general meeting of the Company to be held on 13 April 2011.

Following the aforesaid proposed Rights Issue and placing of convertible notes, the board lot size is proposed to be changed from 2,000 shares per lot to 40,000 shares per lot and there will be a potential adjustment of the conversion price of the outstanding convertible bonds with a principal amount of HK$48,000,000. The proposed change in board lot size will be effective when the aforesaid proposed Rights Issue is duly passed by the independent shareholders on the special general meeting of the Company to be held on 13 April 2011.

Significant investment, acquisition and disposal

In April 2010, the Company entered into an agreement with an independent third party for the sale of its commercial property in Singapore for a consideration of $23,000,000 Singapore dollar. The sale was completed in July 2010.

On 24 September 2010, the Company entered into an agreement to acquire 51% of the entire share capital of Delta Wealth. The acquisition was completed in October 2010.

On 29 October 2010, the Company entered into an agreement with an independent third party for the disposal of its subsidiaries including Ankan Holdings Limited, Georich Trading Limited and SMI Global Corporation, which were direct wholly owned subsidiaries of the Company. Ankan Holdings Limited was an investment holding company, subsidiaries of which were (1) SMI Management & Co., Pte. Limited; (2) Manuply Wood Industries (S) Sdn Bhd; (3) Glowing Schemes Sendirian Berhad; (4) Daunting Services Limited; (5) Sevier Pacific Limited; and (6) Pacific Plywood Limited; and an associated company, Segereka Sendirian Berhad. The disposal was completed on 30 December 2010.

Save for disclosed above, there was no significant acquisition or disposal that should be notified to the shareholders of the Company for the year ended 31 December 2010.

Segment information

Details of segment information of the Group during the year are set out in note 9 to the accompanying consolidated financial statements.

Employees

As at 31 December 2010, the Group had 17 staff, 5 of whom worked in the office of Delta Wealth, a non-wholly owned subsidiary of the Company. In-house training programmes were provided for staff to enhance skills and job knowledge. Management would continue to foster close co-operation with the staff.

The Group will review employee remuneration from time to time and salary increment is normally approved annually or by special adjustment depending on length of services and performance when warranted. In addition to salaries, the Group provides employee benefits including medical and mandatory provident funds. Share options and bonus are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

Details of charges on assets

The pledges of certain property, plant and equipment and leasehold land with a net book value of approximately US$48,761,000, floating charges on certain inventories of approximately US$7,884,000, trade receivables of approximately US$284,000, bank balances of approximately US$568,000, other assets of approximately US$927,000 noted as at 30 June 2010 interim report were released as at 31 December 2010.

As at 31 December 2010, the Group did not have any corporate guarantee given to any entity. None of fixed assets and current assets was pledged.

Future plans for material investment or capital assets

Upon the completion of the acquisition of 51% share interest of Delta Wealth in October 2010 and the completion of the disposal of the plywood manufacturing and distribution business of the Group in December 2010, the Group is principally engaged in the business of money lending and provision of credits.

The Company disposed its loss-making plywood manufacturing and distribution business in December 2010. Such disposal put an end to the more-than-two-year loss of the Group and contributed a net gain (after netting of the loss of plywood business for the current year) amounting approximately US$9,153,000 to the Group. Even though the plywood market recovered from its bottom, the operation remained difficult and continued with net losses in current year due to the limited supply of logs and increased in raw materials prices and other related costs. This led the Group exposed to a stringent cash flow and a net liabilities position which might adversely affect the going concern of the Group. In view of the above and the fact that the continuation of the plywood manufacturing and distribution business might not be in the interests of the Company and the shareholders as a whole, the plywood business was then discarded.

Although the Company has disposed the plywood manufacturing and distribution business, the Board will continue with the plywood related business by exploring upstream plywood business opportunities (i.e. the forestry business) provided that such business is beneficial to the Group in the future.

To improve the profitability and the financial position, the Group stretched into the money lending and provision of credits business by acquiring 51% share interest of Delta Wealth in October 2010. On 27 October 2010 and 10 November 2010, the Group granted two facilities to Delta Wealth with amount of HK$12,000,000 and HK$138,000,000 respectively to expand the scale and broaden customer bases of the business.

Although there is still uncertainty in global financial market, the Board is optimistic about the future prospect of the money leading and provision of credits business and is confident that the business will keep growing and be profitable in long run due to (i) the economy of Hong Kong has been stepping up from the economic downturn; (ii) the quantitative easing program launched by the United States' government which should kindle investment and the funding needs; and (iii) the upsurge of interest rate in PRC banks which are our competitors as a result of PRC inflation-curbing policies. The Board expects there would be a persistently increasing demand on money lending and provision of credits, e.g. personal loans from the general public in Hong Kong, and it is a good timing for the Group to further develop the business of money lending and provision of credits so as to create a sustainable growth in the long run.

Besides the business of money lending and provision of credits, the Group was eager to seek for opportunities to be identified to improve the overall performance of the Group. On 6 July 2010, 18 October 2010 and 3 March 2011, the Company entered into non-binding memorandums of understandings with Markmore Sdn Berhad, a company incorporated in Malaysia in relation to its intention to explore the investment opportunity in oilfields business located in Kazakhstan. The Board considers that the aforesaid oilfields possess abundant potential due to the quantity of the reserves in the aforesaid oilfields and regard that the oil industry can diversify the existing business of the Company and widen the income base of the Group.

LETTER FROM THE BOARD

Although the financial performance of the Group was in a loss position in the past years due to the loss-making plywood manufacturing and distribution business, the completion of the disposal of the plywood manufacturing and distribution business and the expansion in the business of money lending and provision of credits have brought the Group out from the low ebb and have helped paving the way of prosperity of the Group. The management of the Group will use its best endeavour to explore any investment opportunities in promising industries and ways to improve the financial performance of the Group, which will enable the Group grow stronger and fruitful gradually.

Working capital and gearing ratio

The gearing ratios of the Group as at 31 December 2010 and 2009 were as follow:

	As at 31 December	
	2010	2009
	US$'000	*US$'000*
Total borrowings	**4,601**	66,724
Less: Cash and cash equivalents	**(8,122)**	(1,040)
Net debt	**(3,521)**	65,684
Total equity/(deficit)	**11,766**	(12,309)
Total capital	**8,245**	53,375
Gearing ratio (net debt to total capital)	**(43%)**	123%

The gearing ratio decreased to (43)% mainly because of the disposal of subsidiaries namely Ankan Holdings Limited, Georich Trading Limited and SMI Global Corporation, which were direct wholly-owned subsidiaries of the Company. Ankan Holdings Limited was an investment holding company, subsidiaries of which were: (1) SMI Management & Co., Pte. Limited; (2) Manuply Wood Industries (S) Sdn Bhd; (3) Glowing Schemes Sendirian Berhad; (4) Daunting Services Limited; (5) Sevier Pacific Limited; and (6) Pacific Plywood Limited; and an associated company, Segereka Sendirian Berhad, which were in a net liability position.

Foreign exchange exposure

The Group mainly earns revenue and incurs cost in Hong Kong dollars and is not subject to foreign exchange risk. In addition, the Group did not have any related hedges as at 31 December 2010.

Contingent liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

APPRECIATION

On behalf of the Board, I would like to convey its sincere gratitude to our employees for their diligence and contributions to the Group. I would also like to acknowledge the continual support of our shareholders during the year of 2010.

For and on behalf of the Board
Liang Jian Hua
Chairman

Hong Kong, 29 March 2011

EXECUTIVE DIRECTORS

Mr. Liang Jian Hua, aged 41, is the Chairman of the Group. He is also a director of one subsidiary of the Company. He has around 18 years of working experience in area of trading and property investment. He joined the Group since 29 April 2010. Currently, Mr. Liang is the vice president of Zhe Jiang Shunfeng Steel Co., Limited. Save as disclosed above, he does not hold any other major appointments or professional qualifications and has not held any position or directorships in any other listed public companies during last three years preceding the date of this report.

Mr. Huang Chuan Fu, aged 37, is the Deputy Chairman of the Group. He is also directors of four subsidiaries of the Company. He has around 8 years of working experience. He was the vice president of Nanping Wang Jia Wood Bamboo & Wood Industry Co., Limited from 2002 to 2005. He joined the Group since 13 April 2010. Save as disclosed above, he does not hold any other major appointments or professional qualifications and has not held any position or directorships in any other listed public companies during last three years preceding the date of this report.

Ms. Jia Hui, aged 43, has around 20 years of working experience in area of merchandising and project management. Since 2003, she has been appointed as the business development manager of Beijing International Trade Corporation. She joined the Group since 13 April 2010. Save as disclosed above, she does not hold any other major appointments or professional qualifications and has not held any position or directorships in any other listed public companies during last three years preceding the date of this report.

Mr. Jiang Yi Ren, aged 44, has around 20 years of working experience in area of manufacturing and property investment. He joined the Group since 29 April 2010. Currently, Mr. Jiang is the vice president of Wenling City Zhong Fa Precision Steel Parts Co., Limited. Save as disclosed above, he does not hold any other major appointments or professional qualifications and has not held any position or directorships in any other listed public companies during last three years preceding the date of this report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kin Sang, aged 59, is currently the sole proprietor of Messrs. Peter K. S. Chan & Co., Solicitor and Notaries. He joined the Group since 22 April 2010. He has been a practicing solicitor in Hong Kong since 1982. Mr. Chan graduated from the University of Hong Kong with a Bachelor of Law degree in 1979. He was admitted as a Notary Public in 1997 and as a China-appointed Attesting Officer in 2000. He is currently a Fellow of the Hong Kong Institute of Directors. Mr. Chan currently acts as independent non-executive director of two listed companies in Singapore, namely, Luxking Group Holdings Limited, and People's Food Holdings Limited. He also acts as non-executive director of Pan Hong Property Group Limited, a listed company in Singapore. Mr. Chan also acts as independent non-executive director of four Hong Kong listed companies namely China Precious Metal Resources Holdings Co., Limited, Combest Holdings Limited, International Taifeng Holdings Limited and the Company and acts as non-executive director of two Hong Kong listed companies namely, Mayer Holdings Limited and United Pacific Industries Limited. Mr. Chan also resigned the position on four other listed companies in the past three years as independent non-executive Director, namely Sunray Holdings Limited, Dynamic Energy Holdings Limited, New Smart Energy Group Limited, and Wai Chun Group Holdings Limited. Since Mr. Chan's directorships with other companies are mostly non-executive in nature, and will not involve in the day-to-day operation and management of the Company as an independent non-executive director, Mr. Chan confirms and we consider that Mr. Chan shall have sufficient time to discharge his responsibilities as an independent non-executive director.

Mr. Cheng Po Yuen, aged 35, holds a Bachelor of Business Administration degree majoring in accounting. He joined the Group since 24 November 2010. Mr. Cheng is a practicing accountant in Hong Kong and he is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries and the Taxation Institute of Hong Kong. He has over 10 years of experience in auditing, accounting and finance.

Mr. Wong Chun Hung, aged 38, graduated from the Hong Kong Baptist University with honors degree in accounting in 1995. He joined the Group since 22 April 2010. Mr. Wong is an associate of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has over 10 years of experience in accounting, auditing and consulting. He is also a managing director of B&C Finance and Corporate Advisory Limited from November 2005 until now. In addition, Mr. Wong is currently under employment as a financial controller of General Nice Group as well as its associates, Abterra Limited, which is a listed company in Singapore from 1 September 2009 and 5 January 2010 respectively. He currently acts as an independent non-executive director of two Hong Kong listed Companies namely, Po Yuen Holdings Limited and the Company. He was also an independent non-executive director of Tech Pro Technology Development Limited from 25 July 2007 to 7 January 2011 which is a listed company in Hong Kong.

Save as disclosed herein, there is no other relationship between each of the Directors and senior management as required to be disclosed under the Listing Rules.

FINANCIAL SUMMARY

(Amounts expressed in United States dollars unless otherwise stated)

INCOME STATEMENT

The following is a summary of the audited consolidated results of Pacific Plywood Holdings Limited and its subsidiaries for the respective years as hereunder stated.

	For the year ended 31 December				
	2010	2009	2008	2007	2006
	US$'000	US$'000	US$'000	US$'000	US$'000
		(Restated)			
Revenue	**564**	—	94,706	108,986	105,478
Profit/(loss) attributable to the owners of the Company	**9,765**	(9,794)	(36,452)	1,268	458
Dividends	**—**	—	—	—	—

STATEMENT OF FINANCIAL POSITION

The following is a summary of the audited consolidated statement of financial position for the Group as at the respective dates as hereunder stated.

	As at 31 December				
	2010	2009	2008	2007	2006
	US$'000	US$'000	US$'000	US$'000	US$'000
		(Restated)	(Restated)		
Property, plant and equipment	**4**	52,680	64,917	76,810	77,360
Interests in an associate	**—**	705	981	—	—
Deferred tax assets	**—**	4,860	4,807	5,021	4,716
Deposit for acquisition of an investment	**—**	—	1,000	1,500	—
Loan receivables	**642**	—	—	—	—
Current assets	**28,695**	10,415	19,634	45,845	39,241
Current liabilities	**(17,575)**	(80,955)	(91,214)	(44,237)	(42,097)
Non-current borrowings	**—**	(14)	(117)	(48,419)	(53,165)
Deferred income tax liabilities	**—**	—	—	—	(15)
	11,766	(12,309)	8	36,520	26,040
Representing:					
Share capital	**255**	4,278	4,278	4,278	3,598
Reserves	**10,947**	(17,587)	(5,270)	31,242	21,442
Minority interest	**564**	1,000	1,000	1,000	1,000
Shareholders' equity/(deficit)	**11,766**	(12,309)	8	36,520	26,040

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") is committed to uphold a high standard of corporate governance practices and business ethics in the belief that they are essential for maintaining and promoting investors' confidence and maximizing shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements (both locally and internationally), and to fulfill its commitment to excellence in corporate governance.

The Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") came into effect on 1 January 2005. The CG Code sets out two levels of corporate governance practices namely, mandatory code provisions that a listed company must comply with or explain its non-compliance, and recommended best practices that a listed company is encouraged to comply with but need not disclose in the case of non-compliance. The Company is in compliance with the mandatory code provisions of the CG Code except for certain areas of non-compliance that are discussed later in this report.

THE BOARD

The Board is charged with overseeing the business and affairs of the Group that aims at enhancing the Company's value for stakeholders. The directors of the Company (the "Director(s)), individually and collectively, must act in good faith in the best interests of the Company and its shareholders. Roles of the Board include reviewing and guiding corporate strategies and policies, monitoring financial and operating performance and setting appropriate risk management policies.

The primary role of the Board is to oversee how management serves the interests of shareholders and other stakeholders. To do this, the Board has adopted corporate governance principles aimed at ensuring that the Board is independent and fully informed on the key strategic issues facing the Company. As at the date of this report, the Board comprises four executive Directors and three independent non-executive Directors.

The Board members have no financial, business, family or other material relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended best practice under the CG Code for the Board to have at least one-third in number of its members comprising independent non-executive directors. At least one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The brief biographical details of the Directors are set out in page 8 to page 9, which demonstrate a diversity of skills, expertise, experience and qualifications. The Company has received from each independent non-executive Director annual confirmations of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such directors to be independent.

The number of Board meetings held during the year ended 31 December 2010 and the Directors' respective attendance record are summarized as follows:

	Number of Board meetings attended (26 Board meetings in total)
Executive Directors	
Mr. Liang Jian Hua , *Chairman* (appointed as executive director on 29 April 2010; appointed as *Chairman* on 24 January 2011)	16
Mr. Huang Chuan Fu, *Deputy Chairman* (appointed as executive director on 13 April 2010; appointed as *Deputy Chairman* on 24 January 2011)	17
Ms. Jia Hui (appointed on 13 April 2010)	17
Mr. Jiang Yi Ren (appointed on 29 April 2010)	15
Mr. Liao Yun Kuang (resigned on 28 October 2010)	10
Mr. Yu Chien Te (resigned on 28 October 2010)	8
Dr. Widodo Budiono (resigned on 17 January 2011)	18
Mr. Widodo Sardjono (resigned on 17 January 2011)	20

	Number of Board meetings attended (26 Board meetings in total)
Non-executive Directors	
Mr. Chan Kin Sang (appointed on 22 April 2010)	17
Mr. Wong Chun Hung (appointed on 22 April 2010)	16
Mr. Cheng Po Yuen (appointed on 24 November 2010)	4
Mr. Kusnadi Pipin (resigned on 13 April 2010)	1
Mr. Halim Sudjono (resigned on 13 April 2010)	1
Mr. Widjaja Kusnadi (resigned on 22 April 2010)	2
Mr. Siah Chong Huat (resigned on 22 April 2010)	2
Mr. Usman Marzuki (resigned on 28 October 2010)	12

Regular Board meetings are convened and held by the Company and the Directors are given adequate notice to attend such regular Board meetings or other Board meetings. Directors are also provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors. Minutes of regular Board meetings, other Board meetings or other committees meetings are recorded in sufficient detail. Drafts of these minutes are circulated to all Directors for their comments before they are finalized for signatures and records.

DEVIATION FROM CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the CG Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2010, with deviations from code provision A2.1, A4.1 and E.1.2.

Code provision A.2.1

Under code provision A.2.1, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual.

In addition to his duties as former Chairman of the Company, Dr. Budiono Widodo is also responsible for the strategic planning and overseeing certain aspects of the Group's operation. Such duties overlap with those of Mr. Sardjono Widodo, the former Chief Executive Officer, who is his son. Nevertheless, the Board considers that this will not impair the balance of power and authority of the Board and the management of the Group. The balance of power and authority is ensured by the operation of the Board, which comprises nine to eleven Directors during the year ended 31 December 2010. All of them are experienced businessmen or professionals and they meet regularly to review the Group's performance. For decisions which may have significant effect on the Group's business, attendance of all Directors in a board meeting is secured as far as possible.

Code provision A.4.1

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

The Company does not fully comply with code provision. The existing non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting. The Board does not believe that arbitrary term limits on Directors' service are appropriate given that Directors ought to be committed to representing the long-term interests of the shareholders of the Company.

Code provision E.1.2

Under code provision E.1.2, the chairman of the Board should attend the annual general meeting.

Due to certain urgent matters to be attended by former Chairman, Dr. Budiono Widodo did not attend the Company's 2010 annual general meeting. However, Dr. Budiono Widodo arranged Mr. Liao Yun Kuang, former President of the Company, to attend the Company's 2010 annual general meeting to answer questions raised by shareholders of the Company.

NON-COMPLIANCE WITH REQUIREMENTS REGARDING INDEPENDENT NON-EXECUTIVE DIRECTORS AND MEMBERS OF AUDIT COMMITTEE

Rule 3.10(1) and 3.21 of the Listing Rules require that the Board and the Audit Committee should include at least three independent non-executive Directors and members respectively.

The total number of independent non-executive Directors and members of the Audit Committee fell below the minimum requirement as set under the Listing Rules after the resignation of a former Director, Mr. Marzuki Usman, on 28 October 2010. Upon the appointment of Mr. Cheng Po Yuen on 24 November 2010 as an independent non-executive Director and a member of Audit Committee, there are three independent non-executive Directors and three Audit Committee members respectively, and the Company has then fully complied with the Listing Rules in this regard.

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the terms as contained in the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 of the Listing Rules) as the Company's code of conduct for securities transactions and dealings ("Model Code"). All existing directors of the Company, upon specific enquiry, have confirmed that they have complied with the Model Code during the year ended 31 December 2010.

REMUNERATION OF DIRECTORS

The Remuneration Committee was duly constituted on 29 June 2005 and comprises an executive Director, Mr. Huang Chuan Fu and three independent non-executive Directors, Mr. Wong Chun Hung (Chairman), Mr. Cheng Po Yuen and Mr. Chan Kin Sang as at the date of this report.

The primary role of the Remuneration Committee under its terms of reference is to support and advise the Board in fulfilling the Board's responsibility to the shareholders of the Company to (i) establish remuneration policies and structure of directors and senior management; (ii) review and approve performance-based remuneration by reference to the goals, objectives and performance of the Group; (iii) to determine the specific remuneration packages and/or compensation for all executive Directors and senior management; and (iv) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

The number of Remuneration Committee held during the year ended 31 December 2010 and the Remuneration Committee members' respective attendance record are summarized as follows:

	Number of meetings attended (1 meeting in total)
Mr. Wong Chun Hung, *Chairman* (appointed on 22 April 2010)	1
Mr. Chan Kin Sang (appointed on 22 April 2010)	1
Mr. Huang Chuan Fu (appointed on 28 October 2010)	1
Mr. Cheng Po Yuen (appointed on 24 November 2010)	1
Mr. Widjaja Kusnadi (resigned on 22 April 2010)	0
Mr. Liao Yun Kuang (resigned on 28 October 2010)	0
Mr. Usman Marzuki (resigned on 28 October 2010)	0

NOMINATION OF DIRECTORS

The Board will meet to discuss nomination of directors when circumstances required. Upon receipt of a nomination from the members of the Board, a Board meeting will then be convened to consider and discuss the nomination. Academic and professional qualifications, business experience, expertise and knowledge as well as other requirements under the Listing Rules will be assessed to determine if the nomination is suitable.

AUDITOR'S REMUNERATION

During the year ended 31 December 2010, the Group engaged SHINEWING (HK) CPA Limited to perform audit and audit related services at a fee of approximately US$109,000 and of approximately US$104,000 for non-audit services.

AUDIT COMMITTEE

On 22 April 2010, Mr. Siah Chong Huat and Mr. Widjaja Kusnadi resigned while Mr. Wong Chun Hung and Mr. Chan Kin Sang were appointed as members of Audit Committee.

On 28 October 2010, Mr. Usman Marzuki resigned as a member of the Audit Committee and Mr. Wong Chun Hung was appointed as the chairman of the Audit Committee.

On 24 November 2010, Mr. Cheng Po Yuen was appointed as a member of the Audit Committee.

The number of committee meetings held during the year ended 31 December 2010 and the committee members' respective attendance record are summarized as follows:

	Number of meetings attended (2 meetings in total)
Mr. Wong Chun Hung *(Chairman)* (appointed as member on 22 April 2010; appointed as *Chairman* on 28 October 2011)	1
Mr. Chan Kin Sang (appointed on 22 April 2010)	1
Mr. Cheng Po Yuen (appointed on 24 November 2010)	0
Mr. Widjaja Kusnadi (resigned on 22 April 2010)	0
Mr. Siah Chong Huat (resigned on 22 April 2010)	1
Mr. Usman Marzuki (resigned on 28 October 2010)	2

The Audit Committee has adopted terms of reference which are in line with the CG Code issued by the Stock Exchange.

The main duties of the Audit Committee are as follows:

a. To review with the internal and external auditors the adequacy and effectiveness of the Group's internal control and service systems and practices;

b. To consider the appointment of the external auditors, its remuneration and any questions of resignation or dismissal;

c. To discuss with the external auditors before the audit commences, the nature and scope of the audit;

d. To review the half year and annual financial statements before submission to the Board, focusing particularly on:

- Any changes in accounting policies and practices;

- Significant adjustment resulting from audit;

- The going concern assumption;
- Significant and unusual events;
- Compliance with accounting standards or any other legal requirements

e. To discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss;

f. To perform any other functions as may be agreed by the Audit Committee and the Board.

During the year ended 31 December 2010, the Audit Committee met to review the annual financial information for the year ended 31 December 2009 and the interim financial statements for the six months ended 30 June 2010. In December 2010, the Audit Committee communicated with the external auditor of the Company through telephone conference to discuss their audit plan for 2010 annual audit.

The Audit Committee has discussed and reviewed with management the consolidated financial statements for the year ended 31 December 2010.

DIRECTORS' RESPONSIBILITY FOR THE GROUP'S FINANCIAL REPORTING

The Directors are responsible for the preparation of financial statements of the Group which are prepared in accordance with the relevant statutory requirements and applicable accounting standards in force, and are published in a timely manner. The Directors are responsible for selecting and applying on a consistent basis suitable accounting policies and ensuring timely adoption of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards.

The Board understands the importance of presenting a clear and comprehensive assessment of the Group's overall performance, financial positions as well as prospects in a timely manner; and the Board is pleased to report that, so far, the annual and interim results of the Group are announced within the three months and two months limit respectively after the end of the relevant periods.

INTERNAL CONTROLS

The Board acknowledges its responsibility in maintaining sound and effective internal control system for the Group to safeguard investments of the shareholders and assets of the Group at all times. The system of internal control aims to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. However, the design of the system is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives are being sought. Management has conducted regular reviews during the year on the effectiveness of the internal control system covering all material controls in area of financial, operational and compliance controls, various functions for risks management as well as physical and information systems security. The Audit Committee reviews internal control issues identified by external auditor, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee in turn reports any material issues to the Board.

COMMUNICATION WITH SHAREHOLDERS

The Board maintains an on-going dialogue with shareholders through annual general meeting or special general meetings and shareholders are encouraged to participate.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 9 to the accompanying consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 24.

The Directors do not recommend the payment of dividend.

RESERVES

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

DONATIONS

There was no charitable or other donation made by the Group during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 19 to the accompanying consolidated financial statements.

SHARE CAPITAL AND CONVERTIBLE NOTES

Details of the movements in share capital and convertible notes of the Company during the year are set out in note 32 and 29 respectively to the accompanying consolidated financial statements.

DISTRIBUTABLE RESERVES

Movements in the distributable reserves of the Group and the Company during the year are set out in note 33 to the accompanying consolidated financial statements.

As at 31 December 2010, the Company did not have reserves (2009: nil) available for distribution to its shareholders.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and the laws in Bermuda.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 10 of this annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased or redeemed any of the Company's shares during the year. As at 31 December 2010, 599,040,000 ordinary shares with a par value of HK$0.025 each were in issue. Details are set out in "Capital structure" section in page 4 of this report and note 32 to the accompanying consolidated financial statements.

SHARE OPTIONS

Before the listing of the Company's shares on the Stock Exchange on 20 November 1995, the Company adopted a share option scheme for employees on 17 October 1995 (the "Pre-IPO Option Scheme").

In compliance with the amended Chapter 17 of the Listing Rules, the Company terminated the Pre-IPO Option Scheme and adopted the current share option scheme (the "Scheme"), as approved by shareholders at the annual general meeting of the Company on 21 June 2002. Upon the said termination, no further options could be granted under the Pre-IPO Option Scheme but in all other respects, the provisions of the Pre-IPO Option Scheme should remain in force and all outstanding options granted prior to the termination should continue to be valid and exercisable. Details of the Scheme have been set out in the "Letter from the Board" dated 13 May 2002.

Under the Scheme, the Company may grant options to any participant, in the absolute discretion of the Board, who has made valuable contribution to the business of the Group. The subscription price will be a price determined by the Board and at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of the option, which must be a business day; (b) the average closing price of the shares as stated in Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of the shares. The total number of shares which may be issued upon exercise of options must not exceed 30% of the number of shares in issue from time to time and in addition, 10% of the numbers of shares in issue at the date of approval of the option scheme. No share option was outstanding as at 31 December 2010 and no share option has been granted during the year ended 31 December 2010.

DIRECTORS

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

Executive Directors

Mr. Liang Jian Hua, *Chairman* (appointed as executive director on 29 April 2010; appointed as Chairman on 24 January 2011)
Mr. Huang Chuan Fu, *Deputy Chairman* (appointed as executive director on 13 April 2010; appointed as Deputy Chairman on 24 January 2011)
Ms. Jia Hui (appointed on 13 April 2010)
Mr. Jiang Yi Ren (appointed on 29 April 2010)

Mr. Liao Yun Kuang (resigned on 28 October 2010)
Mr. Yu Chien Te (resigned on 28 October 2010)
Dr. Widodo Budiono (resigned on 17 January 2011)
Mr. Widodo Sardjono (resigned on 17 January 2011)

Non-Executive Directors

Mr. Kusnadi Pipin (resigned on 13 April 2010)
Mr. Halim Sudjono (resigned on 13 April 2010)

Independent Non-Executive Directors

Mr. Chan Kin Sang (appointed on 22 April 2010)
Mr. Wong Chun Hung (appointed on 22 April 2010)
Mr. Cheng Po Yuen (appointed on 24 November 2010)

Mr. Widjaja Kusnadi (resigned on 22 April 2010)
Mr. Siah Chong Huat (resigned on 22 April 2010)
Mr. Usman Marzuki (resigned on 28 October 2010)

In accordance with Bye-law 99 of the Company's Bye-laws and Code Provision A.4 under Appendix 14 to the Listing Rules, Mr. Huang Chuan Fu and Ms. Jia Hui will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. In accordance with Bye-law 102(A), Mr. Cheng Po Yuen will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of Chapter 3 of the Listing Rules and the Company considers such Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company, any of its fellow subsidiaries or its parent company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Brief biographical details of the Directors and Senior Management are set out in page 8 to page 9 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31 December 2010, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which are required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of the Company contained in the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

	Personal Interest	Corporate Interest	Trust Interest	Total	% of Total Shares Outstanding
Dr. Budiono Widodo (resigned on 17 January 2010)	8,641,000	0	104,971,000	113,612,000	5.9
Mr. Sardjono Widodo (resigned on 17 January 2010)	0	0	104,971,000	104,971,000	5.4

Save as disclosed above, as at the date of this report, none of the Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 Part XV of the SFO and none of the Directors, the chief executive of the Company nor their associates had any other interests or short positions in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2010, Dr. Budiono Widodo, the former chairman of the Company, a Commissioner of P.T. Sumatra Timber Utama Damai (the "P.T. STUD"), and Mr. Sardjono Widodo, the former Managing Director of the Company, a Commissioner of P.T. STUD, have personal and corporate interests of approximately 2.82% and 3.31% in P.T. STUD respectively.

P.T. STUD is a prominent manufacturer in the container flooring segment and its management team comprises professionals, associates and family members of Dr. Budiono Widodo.

The core business of P.T. STUD is the manufacture and sales of industrial plywood and other secondary plywood products. The principal business of the Group is the manufacture and distribution of plywood, veneer and consumer-related wood products. Therefore, the business of P.T. STUD does not and will not compete with that of the Group. In addition, Dr. Budiono Widodo and Mr. Sardjono Widodo are not involved in the daily operations of the business of P.T. STUD. Furthermore, P.T. STUD has given an undertaking in favour of the Group that it will not compete with the Group by manufacturing those plywood products which are currently produced, or are likely to be produced in the future, by the Group, but excluding products which are currently produced by P.T. STUD. Dr. Budiono Widodo has also undertaken to use his best efforts to procure P.T. STUD to comply with its undertaking, as long as he is the controlling shareholder (as defined under the Listing Rules) of both the Company and P.T. STUD.

Save as disclosed herein, to the best knowledge of the Directors, none of the Directors and their respective associates (as defined in the Listing Rules) are considered to have any interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2010, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executives.

Long position in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital (%)
Favor Way Investments Limited	Convertible notes holder	300,000,000	15.6
Tin Yuen Sin Carol	Beneficial owner of Favor Way Investments Limited	300,000,000	15.6
Widodo Budiono	Beneficial owner and beneficiary of a trust	113,612,000	5.9
Aroma Pinnacle Inc *(Note 1)*	Held by controlled corporation	104,971,000	5.4
Bank of East Asia (Trustees) Limited as the trustee of the Peace Trust	Trustee	104,971,000	5.4
Peace Avenue Group Limited *(Note 2)*	Held by controlled corporation	104,971,000	5.4
Widodo Sardjono	Beneficiary of a trust	104,971,000	5.4

Notes:

1. Reference to 104,971,000 shares of the Company relate to the same block of shares in the Company which represent the total number of shares of the Company held indirectly by Peace Avenue Group Limited (as explained in note 2 below).

2. Precious Win Group Limited and SMI International Limited are owned by Peace Avenue Group Limited for 65.25% and 39.82% respectively and their interests in the issued share capital of the Company are included in the interests held by Peace Avenue Group Limited.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2010, no revenues or contributions from continuing operations with any single external customer or supplier accounted for 10% or more of the Group's revenues or supplies.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTIONS

On 27 October 2010, the Company granted the first facility with a principal amount of HK$12,000,000 to Delta Wealth Finance Limited (known as Head & Shoulders Finance Limited before 20 January 2011), a non-wholly owned subsidiary of the Company to further develop its new business in money lending and provision of credits. The loan facility of HK$12,000,000 was drawdown by Delta Wealth Finance Limited in November 2010. This transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction were disclosed in the announcement of the Company on 27 October 2010,

On 10 November 2010, the Company granted the second facility with a principal amount of HK$138,000,000 to Delta Wealth Finance Limited to meet the business expansion of the Delta Wealth Finance Limited. This transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction were disclosed in the circular of the Company on 29 November 2010. Up to the date of this report, HK$80,000,000 was utilized by Delta Wealth Finance Limited.

DISCONTINUED OPERATIONS

On 29 October 2010, the Company entered into an agreement to dispose its subsidiaries of the Group comprising Ankan Holdings Limited, Georich Trading Limited and SMI Global Corporation, which were direct wholly-owned subsidiaries of the Company. Ankan Holdings Limited was an investment holding company, subsidiaries of which are: (1) SMI Management & Co., Pte. Limited; (2) Manuply Wood Industries (S) Sdn Bhd; (3) Glowing Schemes Sendirian Berhad; (4) Daunting Services Limited; (5) Sevier Pacific Limited; and (6) Pacific Plywood Limited; and an associated company, Segereka Sendirian Berhad (the "Disposal Group").

The Disposal Group has been incurring losses for more than two years and is in a net liability position. Even though the plywood market has recovered from its bottom, the operation of the Disposal Group remains difficult and the Disposal Group continued with net losses for the six months ended 30 June 2010 due to the limited supply of logs and increased in raw materials prices and other related costs. Recently, the cashflow of the Disposal Group remains tight and is required to serve the significant indebtedness of the Disposal Group, which might adversely affect the going concern of the Group. In view of the above, the Board considers that the continual of the businesses of the Disposal Target may not be in the interests of the Shareholders and the Company as a whole.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Board confirms that the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2010.

AUDITOR

The Company's financial statements for the year ended 31 December 2009 were audited by PricewaterhouseCoopers. SHINEWING (HK) CPA Limited was appointed as auditor of the Company on 18 June 2010 in succession to PricewaterhouseCoopers, who resigned from the office with effect from 18 June 2010. The Company's financial statements for the year ended 31 December 2010 were audited by SHINEWING (HK) CPA Limited.

SHINEWING (HK) CPA Limited shall retire and, being eligible, offer themselves for re-appointment in the forthcoming annual general meeting of the Company.

On behalf of the Board

Liang Jian Hua
Chairman
Hong Kong, 29 March 2011

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

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

TO THE MEMBERS OF PACIFIC PLYWOOD HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pacific Plywood Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 86 which comprise the consolidated statement of financial position as at 31 December 2010, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except as described in the basis for qualified opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

BASIS FOR QUALIFIED OPINION ON CORRESPONDING FIGURES

The Group disposed one of the Group's subsidiaries, Ankan (China) Holdings Limited, the indirect controlling shareholder of Dalian Global Wood Products Company Limited ("Dalian Global") in June 2009. The board of directors was unable to make available to the auditor the accounting records and related documents of Dalian Global. The auditor was unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the profit for the year from discontinued operations of US$5,517,000 as recorded in the Group's consolidated income statement for the year ended 31 December 2009, and of the related disclosures to the consolidated financial statements.

A qualified opinion arose from limitation in the scope of audit was issued in the auditor's report on the Group's and Company's consolidated financial statements for the year ended 31 December 2009 dated 8 April 2010. Our opinion on the corresponding figures for the year ended 31 December 2009 was qualified accordingly. Any adjustments found to be necessary would affect the Group's loss for the year ended 31 December 2009.

QUALIFIED OPINION

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for qualified opinion on corresponding figures paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
29 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Continuing operations			
Revenue	8	564	—
Interest income	8	562	—
Interest expenses	10	(110)	—
Net interest income		452	—
Other income and gains	11	466	—
Change in fair value of convertible notes		1,460	—
Change in fair value of a derivative financial asset		(187)	—
Selling and distribution expenses		(175)	—
Administrative expenses		(1,336)	(1,482)
Profit (loss) before taxation		680	(1,482)
Taxation	12	(19)	—
Profit (loss) for the year from continuing operations	14	661	(1,482)
Discontinued operations			
Profit (loss) for the period/year from discontinued operations	13	9,153	(8,312)
Profit (loss) for the year		9,814	(9,794)
Profit (loss) for the period/year attributable to:			
Owners of the Company			
From continuing operations		612	(1,482)
From discontinued operations		9,153	(8,312)
		9,765	(9,794)
Non-controlling interests			
From continuing operations		49	—
From discontinued operations		—	—
		49	—
		9,814	(9,794)
Earnings (loss) per share	18		
From continuing and discontinued operations			
Basic		US$15.74 cents	(US$18.44 cents)
Diluted		US$13.32 cents	(US$18.44 cents)
From continuing operations			
Basic		US$0.99 cents	(US$2.79 cents)
Diluted		(US$1.36 cents)	(US$2.79 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 US$'000	2009 US$'000
Profit (loss) for the year	9,814	(9,794)
Exchange differences arising on translation and other comprehensive income (expenses) for the year	622	(2,523)
Total comprehensive income (expenses) for the year	10,436	(12,317)
Total comprehensive income (expenses) attributable to:		
Owners of the Company	10,387	(12,317)
Non-controlling interests	49	—
	10,436	(12,317)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	31/12/2010 US$'000	31/12/2009 US$'000 (Restated)	1/1/2009 US$'000 (Restated)
Non-current assets				
Property, plant and equipment	*19*	**4**	52,680	64,917
Interests in an associate	*20*	**—**	705	981
Deferred tax assets	*21*	**—**	4,860	4,807
Loan receivables	*23*	**642**	—	—
Deposit for acquisition of an investment		**—**	—	1,000
		646	58,245	71,705
Current assets				
Inventories	*22*	**—**	7,632	13,309
Loan receivables	*23*	**18,110**	—	—
Trade and other receivables	*24*	**1,381**	1,743	4,652
Derivative financial asset	*25*	**1,082**	—	—
Bank balances and cash	*26*	**8,122**	1,040	1,673
		28,695	10,415	19,634
Current liabilities				
Trade and other payables	*27*	**1,156**	14,030	23,903
Obligation under finance leases	*28*	**—**	103	168
Convertible notes	*29*	**5,522**	—	—
Bank overdrafts	*30*	**—**	2,877	2,521
Borrowings	*30*	**4,601**	63,847	64,524
Tax liabilities		**105**	98	98
Loans from shareholders of a subsidiary	*31*	**6,191**	—	—
		17,575	80,955	91,214
Net current assets (liabilities)		**11,120**	(70,540)	(71,580)
Total assets less current liabilities		**11,766**	(12,295)	125

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	31/12/2010 US$'000	31/12/2009 US$'000 (Restated)	1/1/2009 US$'000 (Restated)
Capital and reserves				
Share capital	*32*	**255**	4,278	4,278
Share premium		**16,578**	7,652	7,652
Other reserves	*33*	**(22)**	2,345	4,868
Accumulated losses		**(5,609)**	(27,584)	(17,790)
Equity attributable to (deficit of shareholders funds of) owners of the Company		**11,202**	(13,309)	(992)
Non-controlling interests		**564**	1,000	1,000
Total equity (deficit)		**11,766**	(12,309)	8
Non-current liabilities				
Obligation under finance leases	*28*	**—**	14	117
		11,766	(12,295)	125

The consolidated financial statements on pages 24 to 86 were approved and authorised for issue by the board of directors on 29 March 2011 and are signed on its behalf by:

Liang Jian Hua
Director

Huang Chuan Fu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company						
	Share capital US$'000	Share premium US$'000	Other reserves US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total US$'000
At 1 January 2009	4,278	7,652	4,868	(17,790)	(992)	1,000	8
Loss for the year	—	—	—	(9,794)	(9,794)	—	(9,794)
Other comprehensive expenses for the year	—	—	(2,523)	—	(2,523)	—	(2,523)
Total comprehensive expenses for the year	—	—	(2,523)	(9,794)	(12,317)	—	(12,317)
At 31 December 2009	4,278	7,652	2,345	(27,584)	(13,309)	1,000	(12,309)
At 1 January 2010	4,278	7,652	2,345	(27,584)	(13,309)	1,000	(12,309)
Profit for the year	—	—	—	9,765	9,765	49	9,814
Other comprehensive income for the year	—	—	622	—	622	—	622
Total comprehensive income for the year	—	—	622	9,765	10,387	49	10,436
Issue of shares	897	8,704	—	—	9,601	—	9,601
Issue of share upon acquisition of a subsidiary	40	222	—	—	262	—	262
Capital reduction during the year	(4,960)	—	4,960	—	—	—	—
Contributed surplus utilised	—	—	(4,960)	4,960	—	—	—
Arising from acquisition of a subsidiary	—	—	—	—	—	515	515
Disposal of subsidiaries	—	—	—	—	—	(1,000)	(1,000)
Release of contributed surplus upon disposal of subsidiaries	—	—	(7,250)	7,250	—	—	—
Release of translation reserve upon disposal of subsidiaries	—	—	4,261	—	4,261	—	4,261
	(4,023)	8,926	(2,989)	12,210	14,124	(485)	13,639
At 31 December 2010	255	16,578	(22)	(5,609)	11,202	564	11,766

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
OPERATING ACTIVITIES			
Profit (loss) before taxation from continuing operations		680	(1,482)
Profit (loss) before taxation from discontinued operations	13	9,153	(8,312)
Profit (loss) before taxation		9,833	(9,794)
Finance costs		1,958	2,184
Depreciation of property, plant and equipment		6,343	7,343
Provision for impairment of receivables, net		—	8
Reversal of inventories to net realisable value, net		—	(228)
Gain on disposal of property, plant and equipment		(1,162)	(4)
Written off of property, plant and equipment		—	37
Gain on disposal of subsidiaries		(18,592)	(6,337)
Share of loss of an associate		24	277
Change in fair value of convertible notes		(1,460)	—
Change in fair value of derivative financial asset		187	—
Operating cash flows before movements in working capital		(2,869)	(6,514)
Decrease in inventories		1,805	5,911
Increase in loan receivables		(163)	—
(Increase) decrease in trade and other receivables		(3,064)	2,454
Decrease in trade and other payables		(2,971)	(4,700)
NET CASH USED IN OPERATING ACTIVITIES		(7,262)	(2,849)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		16,479	19
Repayment from an associate		305	—
Acquisition of a subsidiary	38	176	—
Purchase of property, plant and equipment		(218)	(82)
Disposal of subsidiaries	39	(96)	46
Refund of deposit for acquisition of an investment		—	1,000
NET CASH FROM INVESTING ACTIVITIES		16,646	983
FINANCING ACTIVITIES			
Repayment of bank borrowings		(12,896)	(501)
Interest paid		(1,958)	(2,184)
Repayment of obligation under finance leases		(103)	(165)
Net proceed from placing of ordinary shares		9,601	—
New borrowings raised		4,601	3,693
Loans from shareholders of a subsidiary		723	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(32)	843
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		9,352	(1,023)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(1,837)	(848)
Effect of foreign exchange rate changes		607	34
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		8,122	(1,837)
Cash and cash equivalents at the end of the year, represented by:			
Bank balances and cash		8,122	1,040
Bank overdrafts		—	(2,877)
		8,122	(1,837)

1. GENERAL

Pacific Plywood Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liabilities. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The principal activity of the Company and its subsidiaries (collectively referred to as the "Group") is the provision of money lending services. The Group was also engaged in the manufacture and sale of plywood, veneer, jamb and modeling, structural, flooring and other wood related products which was discontinued in the current year (note 13).

The consolidated financial statements are presented in United State dollars ("US$"). For the period up to December 2010, the management of the Company had considered US$ as the functional currency of the Company. In December 2010, the Company disposed of its entire equity interests in certain subsidiaries which operated in the primary economic environment using US$ (note 13). As a result of such disposal, the directors of the Company are of the view that the functional currency of the Company has been changed from US$ to Hong Kong Dollars ("HK$") as the remaining investments of the Company are mainly operated in the primary economic environment using HK$. The presentation currency of the Company and the Group would remain to be in US$ for consistent presentation and the use of investors.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("INTs") (herein collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
Hong Kong Accounting Standard ("HKAS") 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners
HK – INT 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 3 (Revised 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 3 (Revised 2008) Business Combinations (Continued)

The impact of the application of HKFRS 3 (as revised in 2008) is as follows:

(a) HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of Delta Wealth Finance Limited (formerly known as Head & Shoulders Finance Limited ("Delta Wealth")), the Group has elected to measure the non-controlling interests at the non-controlling interests' share of identifiable net assets at the date of acquisition. Consequently, the goodwill recognised in respect of that acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of recognised identifiable net assets of the acquiree.

(b) HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

(c) HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

(d) HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The application of HKFRS 3 (as revised in 2008) has not resulted in any financial impact on the consolidated statement of financial position nor the consolidated statement of comprehensive income.

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments. The application of HKAS 27 (Revised 2008) has not resulted in any financial impact on the consolidated statement of financial position nor the consolidated statement of comprehensive income.

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised Standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present as leasehold land in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from leasehold land to property, plant, and equipment retrospectively. This resulted in leasehold land with the carrying amounts of approximately US$2,928,000 and HK$2,897,000 as at 1 January 2009 and 31 December 2009 respectively being reclassified to property, plant and equipment. As at 31 December 2010, the Group does not have leasehold land that qualifies for finance lease classification which has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK INT 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK INT 5 for the first time in the current year. HK INT 5 requires retrospective application.

In order to comply with the requirements set out in HK INT 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK INT 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause have been reclassified from non-current liabilities to current liabilities with the aggregate carrying amounts of US$49,960,000 and US$48,830,000 as at 31 December 2009 and 1 January 2009 respectively. As at 31 December 2010, the Group did not have any loan with the "repayment on demand clause". The application of HK INT 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities that reflects the remaining contractual maturities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Summary of the effect of the above changes in accounting policies described

The effect of changes in accounting policies described above on the financial positions of the Group as at 31 December 2009 and 1 January 2009 is as follows:

	As at 31/12/2009 (Originally stated)	Adjustments	As at 31/12/2009 (Restated)
	US$'000	US$'000	US$'000
Property, plant and equipment	49,783	2,897	52,680
Leasehold land	2,897	(2,897)	—
Bank borrowings – non-current	49,960	(49,960)	—
Bank borrowings – current	13,887	49,960	63,847

	As at 1/1/2009 (Originally stated)	Adjustments	As at 1/1/2009 (Restated)
	US$'000	US$'000	US$'000
Property, plant and equipment	61,989	2,928	64,917
Leasehold land	2,928	(2,928)	—
Bank borrowings – non-current	48,830	(48,830)	—
Bank borrowings – current	15,694	48,830	64,524

There is no effect on the net assets or equity as at 31 December 2009 and 1 January 2009.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosure[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Summary of the effect of the above changes in accounting policies described (Continued)

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in equity subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in equity subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Business combinations that took place on or after 1 January 2010

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Business combinations that took place on or after 1 January 2010 (Continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

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

Investments in subsidiaries

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less accumulated impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

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

Where a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidation financial statements only to the extent of the interest in the associate that are not related to the Group.

Revenue recognition

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

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Handling charge and administration fee income is recognised when services are rendered.

Property, plant and equipment

Property, plant and equipment including building and leasehold land held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated at cost or valuation less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interest as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

Borrowing costs

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

Taxation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans and Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets at FVTPL represented those designated as at FVTPL on initial recognition.

A financial asset may be designated as at FVTPL upon initial recognition if:

— such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

— the financial asset forms part of a group financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

— it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (assets or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Derivative financial instruments

Derivatives are initially measured at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets

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

For financial assets, objective evidence of impairment could include:

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

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

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

— it has been incurred principally for the purpose of repurchasing in the near future; or

— on initial recognition, it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

— it is a derivative that is not designated and effective as a hedging instrument.

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

— such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

— the financial liability forms part of a group financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

— it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (assets or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible notes

Convertible notes issued by the Group (including related embedded derivatives) are designated as financial liabilities at fair value through profit or loss on initial recognition. At each reporting dates subsequent to initial recognition, the entire convertible notes is measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including trade and other payables, obligation under finance leases, loan from shareholders of a subsidiary, borrowings and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity settled share-based payment transactions

Share options granted to employees on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005.

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Impairment allowances on loan receivables

The Group establishes, though charges against the consolidated income statement, impairment allowances in respect of estimated incurred loss in loan receivables. The allowance consist of individual impairment allowances. The overall impairment allowances represent the aggregate amount by which the management considers necessary to write down its loan portfolio in order to state it in the consolidated statement of financial position at its estimated net recoverable value.

In determining individual impairment allowances, management considers objective evidence of impairment. When loan receivable is impaired, an individual impairment allowance is assessed by a discounted cash flow method, measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment allowances on loan receivables (Continued)

In determining collective impairment allowances, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

There is no accumulated impairment loss at the end of the reporting period.

Valuation for derivative financial asset and convertible notes

The fair value of derivative financial asset and convertible notes are determined by using valuation techniques. The Group has used its judgement to select an appropriate valuation method and make assumptions that are mainly based on market conditions existing at the transaction date and each reporting date with reference to the valuation performed by AVISTA Valuation Advisory, an independent firm of professional valuers. For derivative financial asset, the valuation model requires the input of subjective assumptions, including the expected dividend yield, risk free rate and expected life. For convertible notes, the input of subjective assumptions includes the stock price volatility, expected dividend yield, risk free rate and expected life.

Changes in subjective input assumptions can materially affect the fair value estimate.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes obligation under finance leases, convertible notes, bank overdrafts, borrowings and loans from shareholders of a subsidiary. Details of which are disclosed in respective notes. Equity attributable to owners of the Company comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As a part of this review, the directors consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure.

The Group monitors capital using a gearing ratio, calculated as net debt divided by total capital. Net debt is calculated as the aggregate of the convertible notes, obligation under finance leases, loans from shareholders of a subsidiary and total borrowings less cash and cash equivalents. Total capital is calculated as "total equity (deficit)" as shown in the consolidated statement of financial position plus net debt. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting dates were as follows:

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Convertible notes	5,522	—	—
Obligation under finance leases	—	117	285
Total borrowings *(Note 30)*	4,601	66,724	67,045
Loans from shareholders of a subsidiary	6,191	—	—
Less: Bank balances and cash	(8,122)	(1,040)	(1,673)
Net debt	8,192	65,801	65,657
Total equity (deficit)	11,766	(12,309)	8
Total capital	19,958	53,492	65,665
Gearing ratio (net debt to total capital)	41%	123%	100%

5. CAPITAL RISK MANAGEMENT (Continued)

The gearing ratio of the Group is improved due to the disposal of certain subsidiaries during the year ended 31 December 2010.

The gearing ratios of the Group at the end of the reporting date excluding convertible notes, obligation under finance leases and loans from shareholders of a subsidiary were as follows:

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Total borrowings (Note 30)	4,601	66,724	67,045
Less: Bank balances and cash	(8,122)	(1,040)	(1,673)
Net debt	(3,521)	65,684	65,372
Total equity (deficit)	11,766	(12,309)	8
Total capital	8,245	53,375	65,380
Gearing ratio (net debt to total capital)	(43%)	123%	100%

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Financial assets			
Fair value through profit and loss (FVTPL)			
Derivative financial asset	1,082	—	—
Amortised cost			
Loan receivables	18,752	—	—
Trade and other receivables	1,359	1,160	4,187
Bank balances and cash	8,122	1,040	1,673
	29,315	2,200	5,860
Financial liabilities			
Fair value through profit and loss (FVTPL)			
Convertible notes	5,522	—	—
Amortised cost			
Borrowings	4,601	63,847	64,524
Loans from shareholders of a subsidiary	6,191	—	—
Obligation under finance leases	—	117	285
Trade and other payables	1,156	12,775	23,903
Bank overdrafts	—	2,877	2,521
	17,470	79,616	91,233

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include loan receivables, trade and other receivables, bank balances and cash, derivative financial asset, trade and other payables, obligation under finance leases, loans from shareholders of a subsidiary, bank overdrafts, borrowings and convertible notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

As at 31 December 2010, all of financial assets and financial liabilities of the Group are denominated in HK$. As HK$ is pegged to US$, the Company does not expect any significant movements in the US$/HK$ exchange rates. In the opinion of directors of the Company, the foreign exchange risk is not significant.

The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2010, all of financial assets and financial liabilities of the Group are denominated in HK$, which is the same as the functional currency of the Company.

As at 31 December 2009, certain of the Group's trade and other receivables, bank balances and cash, borrowings and bank overdrafts were denominated in Malaysian Ringgit. If Malaysian Ringgit had weakened/ strengthened by 10% against US$, loss for the year would have been approximately US$1,022,000 lower/higher.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balances and bank borrowings with floating interest rates which expose the Group to cash flow interest rate risk. Borrowings and obligation under finance leases at fixed rate exposes the Group to fair value interest-rate risk.

The interest rates of the obligation under finance leases and interest-bearing borrowings of the Group are disclosed in notes 28 and 30 respectively. The Group currently does not have an interest rate hedging policy. However, management monitors the Group's interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net profit (through the impact on floating rate borrowings).

	Increase in interest rate (basis point)	**Increase in profit (loss) for the year** US$'000
2010	100	80
2009	100	(345)

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at 31 December 2010 and 31 December 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group's credit risk are primarily attributable to the loan receivables and trade and other receivables. In order to minimize the credit risk, the Group has established policies and systems for monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of loans receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. As at 31 December 2010, the Group's concentration of credit risk by geographical locations is mainly Hong Kong, which accounted for 100% (2009: 0%) of the total loan receivables.

However, the directors of the Company consider the credit risk is under control since the management exercise due care and check the financial background of these debtors.

The credit risks for bank balances are considered minimal as such amounts are placed with banks with good credit ratings.

Liquidity risk

The Group aims at maintaining a balance between continuity of funding and flexibility through maintaining sufficient cash and cash equivalents and available banking facilities. Details of the Group's obligation under finance leases, borrowings, and loans from shareholders of a subsidiary are set out in notes 28, 30 and 31 respectively. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities in accordance with the earliest date on which the Group can be required to pay.

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interests and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	On demand within one year	More than one year but less than two years	Total undiscounted cash flows	Carrying amounts
	US$'000	US$'000	US$'000	US$'000
As at 31 December 2010				
Trade and other payables	1,156	—	1,156	1,156
Loans from shareholders of a subsidiary	6,191	—	6,191	6,191
Convertible notes	5,522	—	5,522	5,522
Borrowings	4,843	—	4,843	4,601
	17,712	—	17,712	17,470
As at 31 December 2009				
Trade and other payables	12,775	—	12,775	12,775
Bank overdrafts	2,877	—	2,877	2,877
Obligation under finance leases	106	15	121	117
Borrowings *(Note)*	73,268	—	73,268	63,847
	89,026	15	89,041	79,616
As at 1 January 2009				
Trade and other payables	23,903	—	23,903	23,903
Bank overdrafts	2,521		2,521	2,521
Obligation under finance leases	181	120	301	285
Borrowings *(Note)*	68,028	—	68,028	64,524
	94,633	120	94,753	91,233

Bank loans with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. As at 31 December 2009, the aggregate undiscounted principal amounts of these bank loans amounted to US$49,960,000 (2010: Nil). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid ranging from two years to five years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value (Continued)

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

— Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

— Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31/12/2010			
	Level 1	Level 2	Level 3	Total
Derivative financial asset	—	—	1,082	1,082
Convertible notes designated as financial liabilities at FVTPL	—	5,522	—	5,522

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

For the valuation of financial instruments with significant unobservable inputs, the net asset value of Delta Wealth as reported by management of the subsidiary has been applied in the determination of fair value of derivative financial asset under Level 3 of the fair value.

Reconciliation of Level 3 fair value measurements of financial assets

	Derivative financial asset US$'000
At 1 January 2010	—
Issue	1,269
Total losses in profit or loss	(187)
At 31 December 2010	1,082

Of the total gains or losses for the year included in profit or loss, approximately US$187,000 relates to derivative financial asset held at the end of the reporting period. Fair value loss on the derivative financial asset is included in "Change in fair value of a derivative financial asset" on the face of statement of comprehensive income.

8. REVENUE

Revenue represents the amounts received and receivable from the business of money lending and provision of credits during the year. The following is an analysis of the Group's turnover from continuing operations:

	2010	2009
	US$'000	US$'000
Interest income from loan receivables	562	—
Handling charges and administration fee income	2	—
	564	—

9. SEGMENT INFORMATION

Information reported to the board of directors (the "Board") of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. For management purposes, the Group is currently organised into a single segment as provision for money lending services in Hong Kong and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to this single operating segment. Accordingly, no segment analysis by business and geographical information is presented.

The Group was involved in the manufacture and sale of plywood, veneer, jamb and modeling, structural, flooring and other wood related products and the operating segments were reported from geographic perspective to business nature under the plywood business. The plywood business was discontinued with effect from 30 December 2010 (Note 13).

Dalian Global Wood Products Company Limited ("Dalian Global") is the PRC subsidiary of the Company engaging in the manufacture and sale of wood products. The Board decided in November 2008 to discontinue the operation of Dalian Global. In 2009, Ankan (China) Holdings Limited ("ACHL") Group, which included Dalian Global, was disposed and the operating results of the entire ACHL Group were regarded as discontinued operations in 2009.

During the two years ended 31 December 2010 and 2009, no revenues from continuing operations with any single external customer accounted for 10% or more of the Group's revenues.

10. INTEREST EXPENSES

	2010	2009
	US$'000	US$'000
Interest on other borrowings wholly repayable within one year	110	—

11. OTHER INCOME AND GAINS

	2010 US$'000	2009 US$'000
Continuing operations:		
Waiver of salary of a deceased employee	381	—
Others	85	—
	466	—

12. TAXATION

	2010 US$'000	2009 US$'000
Continuing operations:		
HK Profits Tax		
— Current year	19	—

The Company is exempted from taxation in Bermuda until 28 March 2016.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for year 2010.

No provisions for taxation has been made in year 2009 as the Group's income neither arise in, nor derived from Hong Kong.

The tax charge for the year can be reconciled to the profit (loss) before taxation per the consolidated income statement as follows:

	2010 US$'000	2009 US$'000
Profit (loss) before taxation from continuing operations	680	(1,428)
Tax at the domestic income tax rate of 16.5% (2009: 16.5%)	112	(236)
Tax effect of expenses not deductible for tax purpose	40	1
Tax effect of income not taxable for tax purpose	(241)	(6)
Tax effect of tax losses not recognised	108	241
Tax charge for the year	19	—

Details of deferred tax was set out in note 21.

13. DISCONTINUED OPERATIONS

During the year ended 31 December 2010, the Group entered into a sale and purchase agreement to dispose of its plywood business through disposal of its wholly-owned subsidiaries Ankan Holdings Limited (including its subsidiaries and an associated company), Georich Trading Limited and SMI Global Corporation (collectively referred to as the "Disposal Group"). The disposal was effected in order to focus resources for the expansion of the Group's other businesses. The disposal was completed on 30 December 2010. Details of which are set out in the circular of the Company dated 25 November 2010.

The Board decided in November 2008 to discontinue the operation of Dalian Global, a PRC subsidiary. In June 2009, the Group successfully disposed ACHL, the indirect controlling shareholder of Dalian Global, to an independent third party for a consideration of US$50,000.

In November 2008, Dalian Global was discontinued and only Dalian Global was regarded as discontinued operation in the year 2008. In 2009, ACHL Group, which included Dalian Global, was disposed and the operating results of the entire ACHL Group were regarded as discontinued operations in 2009. A gain on disposal of subsidiary was credited to the consolidated statement of comprehensive income during that year.

The combined results of the discontinued operation (i.e the plywood business) included in the consolidated income statement and consolidated statement of cash flows are set out below. The comparative loss and cash flows from discontinued operation have been re-presented to include the plywood business as discontinued in the current year.

The profit (loss) for the period/year from the discontinued operation is analysed as follows:

	Period ended 30/12/2010	Year ended 31/12/2009
	US$'000	US$'000
Loss of the plywood business for the period/year	**(9,439)**	(14,649)
Gain on disposal of the plywood business *(Note 39)*	**18,592**	6,337
Profit (loss) for the period/year from discontinued operations	**9,153**	(8,312)

13. DISCONTINUED OPERATIONS (Continued)

The combined results of the Disposal Group for the period from 1 January 2010 to 30 December 2010, which have been included in the consolidated income statement, were as follows:

	Period ended 30/12/2010	Year ended 31/12/2009
	US$'000	US$'000
Turnover	51,318	50,448
Cost of sales	(49,132)	(52,223)
Gross profit (loss)	2,186	(1,775)
Other income and gains	1,494	809
Selling and distribution expenses	(4,258)	(4,788)
Administrative expenses	(6,879)	(6,434)
Share of loss of an associate	(24)	(277)
Finance costs	(1,958)	(2,184)
Loss before taxation	(9,439)	(14,649)
Taxation	—	—
Loss for the period/year from discontinued operations (attributable to owners of the Company)	(9,439)	(14,649)
Net cash from (used in) operating activities	9,569	(5,033)
Net cash from investing activities	20,651	983
Net cash (used in) from financing activities	(23,369)	3,027
Net cash inflow (outflow)	6,851	(1,023)

Profit (loss) for the period/year from discontinued operations including the followings:

	2010	2009
	US$'000	US$'000
Auditor's remuneration	55	121
Cost of inventories sold	49,132	52,223
Depreciation of property, plant and equipment	6,342	7,342
Staff costs (excluding directors' emoluments)		
— Salaries, wages and other benefits	1,450	1,905
— Contributions to retirement contribution plan	198	201
	1,648	2,106
Minimum lease payment under operating leases in respect of land and buildings	68	82
Net foreign exchange losses	2,563	262
Provision for impairment of receivables	—	8
Reversal of inventories to net realisable value	—	(228)
Share of loss of an associate	24	277
Gain on disposal of property, plant and equipment	(1,162)	(4)
Gain on disposal of subsidiaries	(18,592)	(6,337)

14. PROFIT (LOSS) FOR THE YEAR

	2010	2009
	US$'000	US$'000
Profit (loss) for the year has been arrived at after charging:		
Continuing operations:		
Auditor's remuneration	177	242
Staff costs (excluding directors' emoluments)		
— Salaries, wages and other benefits	85	15
— Contributions to retirement contribution plan	2	1
	87	16
Depreciation of property, plant and equipment	1	1
Net foreign exchange losses	27	4
Minimum lease payment under operating lease in respect of land and buildings	9	—

15. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the sixteen (2009: nine) directors were as follows:

For the year ended 31 December 2010

	Fees	Salary	Retirement benefit scheme contribution	Total
	US$'000	US$'000	US$'000	US$'000
Executive directors:				
Dr. Budiono Widodo[8]	—	168	—	168
Mr. Sardjono Widodo[8]	90	—	—	90
Mr. Liao Yun Kuang[1]	—	45	—	45
Mr. Yu Chien Te[1]	—	21	1	22
Ms. Jia Hui	—	—	—	—
Mr. Huang Chuan Fu[2]	—	—	—	—
Mr. Jiang Yi Ren[3]	—	—	—	—
Mr. Liang Jian Hua[3]	—	—	—	—
Non-executive directors:				
Mr. Pipin Kusnadi[4]	2	—	—	2
Mr. Sudjono Halim[4]	2	—	—	2
Independent non-executive directors:				
Mr. Marzuki Usman[1]	5	—	—	5
Mr. Wong Chun Hung[5]	—	4	—	4
Mr. Chan Kin Sang[5]	—	4	—	4
Mr. Kusnadi Widjaja[6]	2	—	—	2
Mr. Siah Chong Huat[6]	2	—	—	2
Mr. Cheng Po Yuen[7]	—	1	—	1
	103	243	1	347

1 Resigned on 28 October 2010
2 Appointed on 13 April 2010
3 Appointed on 29 April 2010
4 Resigned on 13 April 2010
5 Appointed on 22 April 2010
6 Resigned on 22 April 2010
7 Appointed on 24 November 2010
8 Resigned on 17 January 2011

15. DIRECTORS' EMOLUMENTS (Continued)

For the year ended 31 December 2009

	Fees US$'000	Salary US$'000	Retirement benefit scheme contribution US$'000	Total US$'000
Executive directors:				
Dr. Budiono Widodo	—	168	—	168
Mr. Sardjono Widodo	180	—	—	180
Mr. Liao Yun Kuang	73	68	3	144
Mr. Yu Chien Te	17	50	3	70
Non-executive directors:				
Mr. Pipin Kusnadi	6	—	—	6
Mr. Sudjono Halim	6	—	—	6
Independent non-executive directors:				
Mr. Marzuki Usman	6	—	—	6
Mr. Kusnadi Widjaja	6	—	—	6
Mr. Siah Chong Huat	6	—	—	6
	300	286	6	592

16. EMPLOYEE'S EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, five (2009: three) were directors of the Company whose emoluments are included in the disclosures in note 15. The emoluments of the remaining two highest paid individuals for the year ended 31 December 2009 were as follows:

	2010 US$'000	2009 US$'000
Salaries, allowance, other benefits and bonus	—	16
Retirement benefit schemes contribution	—	1
	—	17

The emoluments of these individuals fell within the following bands:

	Number of individuals **2010**	2009
Nil to US$128,979 (Nil to HK$1,000,000)	—	1
US$128,979 to US$193,469 (HK$1,000,000 to HK$1,500,000)	—	1
	—	2

During the two years ended 31 December 2010 and 2009, no emoluments were paid by the Group to the five highest paid individuals and directors as an inducement to join or upon joining the Group or as compensation for loss of office.

17. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2010, nor has any dividend been proposed since the end of the reporting date (2009: nil).

18. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	2010	2009
	US$'000	US$'000
Earnings (loss)		
Earnings (loss) for the purpose of basic earnings (loss) per share	9,765	(9,794)
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible notes	(1,460)	—
Earnings (loss) for the purpose of diluted earnings (loss) per share	8,305	(9,794)

Number of shares	2010	2009
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	62,046	53,111
Effect of dilutive potential ordinary shares:		
Convertible notes	309	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	62,355	53,111

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per shares has been adjusted for the consolidation of shares on 10 January 2011. Details of the share consolidation are set out in note 44(i).

18. EARNINGS (LOSS) PER SHARE (Continued)

From continuing operations

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

Earnings figures are calculated as follows:

	2010	2009
	US$'000	US$'000
Profit (loss) for the year attributable to owners of the Company	9,765	(9,794)
Less: (profit) loss for the period/year from discontinued operations	(9,153)	8,312
Earnings (loss) for the purpose of basic earnings (loss) per share	612	(1,482)
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible notes	(1,460)	—
Loss for the purpose of diluted loss per share	(848)	(1,482)

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

From discontinued operations

Basic and diluted earnings per share for the discontinued operation are US$14.75 cents and US$14.68 cents respectively per share (2009: basic and diluted loss per share of US$15.65 cents per share) based on the profit for the period from the discontinued operation approximately US$9,153,000 (2009: loss for the year from the discontinued operation approximately US$8,312,000) and the denominators detailed above for both basic and diluted earnings (loss) per share.

For the year ended 31 December 2009, diluted loss per share is the same as the basic loss per share as there was no dilutive potential ordinary shares in existence during that year.

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land held for own use under finance lease US$'000	Buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fittings and equipment US$'000	Motor vehicles US$'000	Jetty US$'000	Construction-in-progress US$'000	Total US$'000
AT COST									
At 1 January 2009	3,238	39,710	522	133,097	3,050	1,323	1,562	2,741	185,243
Additions	—	1	—	6	3	—	—	72	82
Exchange differences	—	588	13	635	—	—	—	—	1,236
Transfers	—	—	—	2,255	—	—	—	(2,255)	—
Written off during the year	—	—	—	(37)	—	—	—	—	(37)
Disposals	—	—	—	(4,063)	(146)	(43)	—	—	(4,252)
Disposal of subsidiaries	—	(6,168)	—	(29,795)	(508)	(325)	—	(206)	(37,002)
At 31 December 2009 and 1 January 2010	3,238	34,131	535	102,098	2,399	955	1,562	352	145,270
Additions	—	22	66	61	10	—	—	59	218
Exchange differences	8	5	—	23	—	—	—	—	36
Disposals	—	(19,955)	—	—	—	—	—	—	(19,955)
Disposal of subsidiaries	(3,246)	(14,203)	(601)	(102,182)	(2,353)	(955)	(1,562)	(411)	(125,513)
At 31 December 2010	—	—	—	—	56	—	—	—	56
At 1 January 2009	(310)	(11,673)	(443)	(103,859)	(2,488)	(1,072)	(481)	—	(120,326)
Provided for the year	(31)	(983)	(55)	(6,099)	(93)	(50)	(32)	—	(7,343)
Exchange differences	—	(215)	(12)	(638)	—	—	—	—	(865)
Eliminated on disposals	—	—	—	4,063	146	28	—	—	4,237
Eliminated on disposal of subsidiaries	—	2,646	—	28,559	293	209	—	—	31,707
At 31 December 2009 and 1 January 2010	(341)	(10,225)	(510)	(77,974)	(2,142)	(885)	(513)	—	(92,590)
Provided for the year	(31)	(677)	(29)	(5,486)	(63)	(26)	(31)	—	(6,343)
Exchange differences	(2)	(5)	—	(14)	—	—	—	—	(21)
Eliminated on disposals	—	4,638	—	—	—	—	—	—	4,638
Eliminated on disposal of subsidiaries	374	6,269	539	83,474	2,153	911	544	—	94,264
At 31 December 2010	—	—	—	—	(52)	—	—	—	(52)
CARRYING VALUES									
At 31 December 2010	—	—	—	—	4	—	—	—	4
At 31 December 2009	2,897	23,906	25	24,124	257	70	1,049	352	52,680
At 1 January 2009	2,928	28,037	79	29,238	562	251	1,081	2,741	64,917

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2009, the Group leased plant and machinery and motor vehicles under non-cancellable finance leases arrangements with a carrying value of US$567,000 (2010: nil).

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

Buildings	2% to 3%
Leasehold improvements	Over the shorter of expected useful life and period of the lease
Plant and machinery	6% to 10%
Furniture, fittings and equipment	10% to 20%
Motor vehicles	12.5% to 20%
Jetty	2%

For the year ended 31 December 2009, certain of the Group's property, plant and equipment with carrying value of approximately US$49,723,000 were pledged to secure certain banking facilities granted to the Group. No property, plant and equipment were pledged as at 31 December 2010 as a result of the disposal of the Disposal Group.

As at 31 December 2009, the Group's leasehold land located in Malaysia was held under long-term lease of over 50 years.

At 31 December 2009, the carrying value of the Group's leasehold land with a carrying amount of approximately US$2,897,000 was pledged for banking facilities granted to the Group (Note 30). No leasehold land was pledged as at 31 December 2010 as a result of the disposal of the Disposal Group.

20. INTERESTS IN AN ASSOCIATE

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Cost of investment in an unlisted associate	—	496	476
Share of post-acquisition loss and other comprehensive income	—	(472)	(195)
	—	24	281
Amount due from an associate *(Note)*	—	681	700
	—	705	981

Note: The amount was unsecured, non-interest bearing and repayable on demand.

20. INTERESTS IN AN ASSOCIATE (Continued)

On 30 December 2010, the Group had disposed of the investment in an associate along with the Disposal Group. The Group's interest in an associate as at 31 December 2009 is as follows:

The summarised financial information in respect of the associate is set out below:

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Total assets	—	816	1,786
Total liabilities	—	(758)	(1,196)
Net assets	—	58	590
Group's share of net assets of associates	—	28	289
Turnover	—	1,422	295
Loss for the year	(49)	(572)	(396)
Group's share of loss and other comprehensive loss of associates for the year	(24)	(277)	(194)

On 30 December 2010, the Group had disposed of the investment on Segereka Sdn. Bhd. along with the Disposal Group.

21. DEFERRED TAXATION

The followings are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior reporting periods.

Deferred tax assets

	Tax losses and unused tax credits		
	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
At 1 January	10,884	11,597	13,507
Exchange realignment	—	125	(733)
Charged to consolidated income statement for the year			
continuing operations	—	—	—
discontinued operations	(389)	(838)	(1,043)
Disposal of subsidiaries	(10,495)	—	—
Tax rate effect	—	—	(134)
	—	10,884	11,597

21. DEFERRED TAXATION (Continued)

Deferred tax liabilities

	Accelerated tax depreciation		
	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
At 1 January	**6,024**	6,790	8,486
Exchange realignment	**—**	72	(363)
Credited to consolidated income statement for the year			
continuing operations	**—**	—	—
discontinued operations	**(389)**	(838)	(1,043)
Disposal of subsidiaries	**(5,635)**	—	—
Tax rate effect	**—**	—	(290)
	—	6,024	6,790
Deferred tax assets (net)	**—**	4,860	4,807

Deferred income tax assets are recognised for tax losses and unused tax credits carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2010, the Group had unused tax credits of approximately US$655,000 (2009: US$43,536,000) to be carried forward to offset against future taxable income. These tax losses and tax credits have no expiry date.

22. INVENTORIES

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Raw materials	**—**	2,940	4,800
Work-in-progress	**—**	2,098	3,334
Finished goods	**—**	2,594	5,175
Current portion included under current assets	**—**	7,632	13,309

As at 31 December, 2009, inventories amounting to approximately US$7,461,000 have been pledged as security for certain bank borrowings of the Group (Note 30). No inventory was pledged as at 31 December 2010 as a result of the disposal of the Disposal Group.

During the year ended 31 December 2009, there was a significant amount of inventories on which allowance has been made in prior year had been sold. As a result, a reversal of allowance for obsolete inventories of approximately US$618,000 had been recognised in the consolidated statement of comprehensive income in that year.

The Group had made allowance for obsolete inventories of approximately US$390,000 for the year in the consolidated statement of comprehensive income for the year ended 31 December 2009.

23. LOAN RECEIVABLES

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Loan receivables	18,752	—	—
Current portion included under current assets	(18,110)	—	—
Amount due after one year	642	—	—

The term of loans entered with customers ranges from 1 month to 5 years. All installment loans receivable are denominated in Hong Kong dollars. The installment loans receivable carry effective interest ranging from 12% to 48% per annum. An aged analysis of the loan receivables net of impairment loss at the end of the reporting period, based on the loan agreement commencement date, is as follows:

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
0 – 30 days	4,881	—	—
31 – 90 days	8,018	—	—
91 – 180 days	4,214	—	—
181 – 365 days	1,543	—	—
Over 365 days	96	—	—
	18,752	—	—

Set out below is an analysis of loan receivables which is overdue for more than 1 month:

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Overdue 1 month but less than 2 months[1]	2,262	—	—

[1] The amounts were not subject to any collateral except for a loan amount with carrying value of approximately US$64,000 was subject to collateral for a property amounting approximately US$1,286,000.

As at 31 December 2010, loan receivables amounting to approximately US$2,782,000 (2009: nil) were subject to collateral for properties and shares amounting approximately US$11,044,000 and US$597,000 respectively.

24. TRADE AND OTHER RECEIVABLES

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Trade receivables	—	1,375	10,343
Bills receivables	—	689	481
Less: Impairment loss recognised in respect of trade receivables	—	(912)	(7,452)
	—	1,152	3,372
Prepayments	22	583	465
Other receivables	1,359	30	837
Less: Impairment loss recognised in respect of other receivables	—	(22)	(22)
	1,381	591	1,280
Total trade and other receivables	1,381	1,743	4,652

Certain subsidiaries of the Group negotiated receivable balances on a with recourse basis with banks for cash during year ended 31 December 2009 and the outstanding amount as at 31 December 2009 was US$606,000 (2010: nil). The transactions have been accounted for as collateralised borrowings (note 30).

As at 31 December 2009, prepayment and other receivables amounting to approximately US$29,000 (2010: nil) and US$500,000 (2010: nil) respectively were subject to floating charges as collateral for certain banking facilities of the Group (note 30).

For the year ended 31 December 2009, the Group allowed a credit period in the range from 30 to 90 days to its trade customers. An aged analysis of the trade receivables net of impairment loss at the end of the reporting period, based on the invoice date, is as follows:

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Within 90 days	—	463	2,714
91 – 180 days	—	—	1,110
181 – 365 days	—	—	5,852
Over 365 days	—	912	667
	—	1,375	10,343

24. TRADE AND OTHER RECEIVABLES (Continued)

The movements in provision for impairment of trade receivables were as follows:

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
At 1 January	912	7,452	660
Exchange realignment	—	(5)	94
Impairment loss recognised on trade receivables during the year	—	8	6,711
Amount written off as uncollectible	—	(15)	(13)
Disposal of subsidiaries	(912)	(6,528)	—
At 31 December	—	912	7,452

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

Included in the provision for impairment of trade receivables are individually impaired trade receivables with an aggregate balance of US$912,000 as at 31 December 2009 (2010: nil). The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss is recognised.

For the year ended 31 December 2009, provision for impairment of trade receivables has been released as a result of the disposal of Dalian Global Wood Products Limited ("Dalian Global").

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Neither past due nor impaired	—	463	2,891
Up to 3 months	—	—	—
3 to 6 months	—	—	933
6 months to 1 year	—	—	5,852
Over 365 days past due	—	912	667
	—	1,375	10,343

Included in the Group's trade receivables balance as at 31 December 2009 are debtors with aggregate carrying amount of approximately US$912,000 (2010: nil) which were past due at the reporting date for which the Group has not provided for impairment loss.

In determining the recoverability of a trade receivables, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In view of the good settlement history from those largest debtors of the Group, the directors consider that there is no further credit provision required in excess of the impairment loss recognised for the year. The Group does not hold any collateral over these balances.

24. TRADE AND OTHER RECEIVABLES (Continued)

Included in trade receivables and other receivables are the following amounts denominated in currencies other than the functional currency of the Group entities:

	2010 US$'000	2009 US$'000
Trade receivables		
Hong Kong dollars	—	57
Malaysian Ringgit	—	635
	—	692

	2010 US$'000	2009 US$'000
Other receivables		
Hong Kong dollars	—	13
Malaysian Ringgit	—	500
Singapore dollars	—	4
	—	517
Trade and other receivables	—	1,209

The movement in allowance for other receivables were as follows:

	31/12/2010 US$'000	31/12/2009 US$'000	1/1/2009 US$'000
At 1 January	22	22	22
Acquired on acquisition of a subsidiary	121	—	—
Impairment losses on other receivables recognised during the year	—	—	—
Disposal of subsidiaries	(143)	—	—
At 31 December	—	22	22

Included in the impairment loss are individually impaired other receivables with an aggregate balance of US$121,000 (2009: US$22,000) which had been long outstanding. The Group does not hold any collateral over these balances.

25. DERIVATIVE FINANCIAL ASSET

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Derivatives:			
Current:			
Put option	1,082	—	—

On 24 September 2010, the Group entered into a sale and purchase agreement to acquire Delta Wealth, pursuant to which the Group possesses the right to exercise the put option at any time during the exercisable period in respect of acquiring back all of the 510,000 shares of Delta Wealth by the vendor. This represented 51% of the entire issued share capital of Delta Wealth by the vendor as at completion date.

The value of each of the put option at 19 October 2010 and 31 December 2010 were valued by AVISTA Valuation Advisory, an independent qualified valuer not connected to the Group, using the binomial model. The key inputs into the model at the time of exercise of the options and further details are set out below:

	31 December 2010	19 October 2010
Derivative financial asset – Put Option:		
Grant date	19 October 2010	19 October 2010
Expected volatility	43%	48%
Risk free rate	0.34%	0.42%
Exercisable period	1 January 2011 to 30 December 2011	20 October 2010 to 30 December 2011
Expected dividend yield	Nil	Nil

Expected volatility was measured at the standard deviation of expected share price returns based on statistical analysis of average daily share prices of comparable companies with similar business of the Company for a period of 1 year to 1.2 years.

26. BANK BALANCES AND CASH

Bank balances carry interest at market rates based on daily bank deposit rates.

The Group's bank balances that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Malaysian Ringgit	—	21	554
Singapore dollars	—	179	94
Hong Kong dollars	—	109	46
Chinese Renminbi	—	—	4
	—	309	698

As at 31 December 2010, all the bank balance and cash of US$8,122,000 is denominated in Hong Kong dollars which is the functional currency as disclosed in note 1.

As at 31 December 2009, certain bank balances of the Group of approximately US$17,000 were subject to floating charges as collateral for certain banking facilities of the Group (2010: nil).

27. TRADE AND OTHER PAYABLES

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Trade payables	—	11,377	17,890
Accrued expenses and other payables	1,156	2,653	6,013
	1,156	14,030	23,903

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

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Within 90 days	—	6,065	9,920
91 – 180 days	—	2,863	3,434
181 – 365 days	—	1,564	4,536
Over 365 days	—	885	—
	—	11,377	17,890

The average credit period granted by the suppliers of the Group in 2009 was ranged from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

28. OBLIGATION UNDER FINANCE LEASES

	Minimum lease payments			Present Value of Minimum lease payments		
	31/12/2010	31/12/2009	1/1/2009	**31/12/2010**	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000	**US$'000**	US$'000	US$'000
Amounts payable under finance leases:						
Within one year	–	106	181	–	103	168
In more than one year, but not more than five years	–	15	120	–	14	117
	–	121	301	–	117	285
Less: Future finance charges	–	(4)	(16)			
Present value of lease obligation	–	117	285			
Less: Amount due for settlement within twelve months (shown under current liabilities)				–	(14)	(117)
Amount due for settlements after twelve months				–	103	168

It is the Group's policy to lease certain of its furniture, fixtures and equipment under finance leases. The lease term was 3 years during the year ended 2009, and the ownership of the assets lie within the Group.

For the year ended 31 December 2009, the Group's obligation under finance leases is secured by the lessor's charge over the leased assets.

29. CONVERTIBLE NOTES

On 19 October 2010, the Company, entered into a purchase agreement with Favor Way Investments Limited ("Favor Way"), an independent third party, for acquisition of Delta Wealth. Pursuant to the said purchase agreement, the Company issued to Favor Way convertible notes at its nominal value of HK$48,000,000 (equivalent to approximately US$6,176,000).

The term of conversion based on the securities holders agreement are as follows:

The convertible notes is denominated in Hong Kong dollars. The convertible notes entitles the holder the rights to convert it into ordinary shares of the Company at any time between the date of issue of the convertible notes and its maturity date on 31 December 2011 at initial conversion price of HK$0.16 per share. If the convertible notes has not been converted, it would be redeemed on 31 December 2011 at nominal value. The convertible notes does not carry interest on the principal amount.

The convertible notes was fairly valued by the directors of the Company with reference to a valuation report issued by AVISTA Valuation Advisory, an independent qualified valuer not connected to the Group. The change in fair value of the convertible notes of approximately US$1,460,000 have been recognised in the consolidated income statement for the year ended 31 December 2010.

The assumptions adopted for the valuation of the convertible notes are as follows:

(1) The estimation of risk free rate has made reference to the yield of Exchange Fund Bill with same duration as the convertible notes;

(2) The estimation of volatility for the underlying share price has considered the historical price movements of those companies engaged in relatively to similar industry;

(3) The discount rate was arrived at based on the Company's credit rating and select comparable corporate bonds with similar maturity and credit risk to derive the range of comparable yield to maturity as of date of valuation and the median range has been adopted.

The fair value of the convertible notes was calculated using the binomial model. Major parameter adopted in the calculation of the fair value are summarised below into the model as follows:

	31/12/2010	19/10/2010
Stock price	HK$0.06	HK$0.16
Exercise price	HK$0.16	HK$0.16
Risk free-rate	0.34%	0.42%
Discount rate	12.00%	13.60%
Option life	1 year	1.2 years

	US$'000
The movement of the convertible notes for the year is set out below:	
Issued during the year	6,982
Fair value change in the profit and loss	(1,460)
Carrying amount at the end of the year	5,522

None of the convertible notes has been converted into ordinary shares of the Company during the year.

30. BORROWINGS AND BANK OVERDRAFTS

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Current			
Banker's acceptance and other banking facilities	—	10,361	12,055
Bank borrowings			
— short term bank borrowings	—	52,880	52,240
Collateralised borrowings	—	606	229
Other borrowings	4,601	—	—
	4,601	63,847	64,524
Bank overdrafts	—	2,877	2,521
	4,601	66,724	67,045

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Analysed as:			
Secured	—	53,486	52,469
Unsecured	4,601	13,238	14,576
	4,601	66,724	67,045

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Carrying amounts repayable:			
On demand or within one year	4,601	13,887	15,694
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	—	49,960	48,830
	4,601	63,847	64,524
Less: Amounts due within one year shown under current liabilities	(4,601)	(63,847)	(64,524)
	—	—	—

As at 31 December 2009, trade receivables and prepayments and other receivables amounting to approximately US$29,000 (2010: nil) and US$500,000 (2010: nil) respectively were subject to floating charges as collateral for certain banking facilities of the Group.

At 31 December 2009, the Group's bank borrowings were secured by the Group's property, plant and equipment of approximately US$52,620,000 (note 19) and inventories of approximately US$7,461,000 (note 22). No asset was pledged as at 31 December 2010 as a result of the disposal of the Disposal Group.

30. BORROWINGS AND BANK OVERDRAFTS (Continued)

Other borrowings represented borrowings from independent third parties.

	Maturity date	Effective interest rate	31/12/2010	31/12/2009	1/1/2009
			US$'000	US$'000	US$'000
Fixed rate other borrowings:					
Other unsecured HKD loan of HK$15,000,000	24 September 2011	4.00%	1,951	—	—
Other unsecured HKD loan of HK$12,000,000	6 October 2011	5.25%	1,557	—	—
Other unsecured HKD loan of HK$8,500,000	21 January 2011	1%	1,093	—	—
			4,601	—	—

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

	2010	2009	2008
Effective interest rates:			
Fixed-rate loans	1.00% to 5.25%	2.82% to 3.50%	3.50% to 6.39%
Variable-rate loans	—	3.75% to 7.53%	3.50% to 8.00%

Included in borrowings are the following amounts denominated in currencies other than the functional currency of the Group entities:

	2010	2009
	US$'000	US$'000
Singapore dollars	—	6,639
Malaysia Ringgit	—	11,374
	—	18,013

31. LOANS FROM SHAREHOLDERS OF A SUBSIDIARY

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

32. SHARE CAPITAL

	Number of shares '000	Amount HK$'000	Amount US$'000
Authorised:			
At 1 January and 31 December 2009 Ordinary share of HK$0.025 each	8,000,000	200,000	25,806
Capital reorganisation *(Note (3)(b))*	192,000,000	—	—
At 31 December 2010 Ordinary share of HK$0.001 each	200,000,000	200,000	25,806
Issued and fully paid:			
At 1 January and 31 December 2009	1,327,779	33,194	4,278
Issue of shares *(Note (1))*	586,540	6,960	897
Issue of shares upon acquisition of a subsidiary *(Note (2))*	12,500	313	40
Capital reorganisation *(Note (3)(c))*	—	(38,540)	(4,960)
At 31 December 2010	1,926,819	1,927	255

Notes:

(1) During the year ended 31 December 2010, agreements were made for private placement of the Company' shares to independent private investors as follows:

Date of share issued	Issue price	Number of shares issued
29 March 2010	HK$0.158	265,540,000
9 December 2010	HK$0.105	321,000,000
		586,540,000

(2) On 19 October 2010, the Company issued 12,500,000 ordinary shares with a par value of HK$0.025 each. The closing price of the ordinary shares of the Company on 19 October 2010 was HK$0.16 per share. A sum of amount of approximately HK$2,000,000 (equivalent to approximately US$262,000) was raised and used as a partial consideration for the acquisition of a subsidiary (note 38).

(3) On 30 November 2010, the shareholders approved the share capital of the Company be reorganised in the following manners:

(a) the paid-up capital and nominal value of each issued share was reduced from HK$0.025 to HK$0.001 by cancelling paid-up capital to the extent of HK$0.024 on each issued share of the Company;

(b) each of the authorised but unissued share in the capital of the Company be subdivided into 25 shares of HK$0.001 each where the authorised share capital of the Company should remain unchanged;

(c) the credit of approximately HK$38.54 million (equivalent to approximately US$4,960,000) arising from the capital reduction was applied to the contributed surplus account of the Company and be used to offset accumulated losses of the Company.

All the shares which were issued during the year rank pari passu with the then existing shares in all respects.

33. OTHER RESERVES

(a) The Group

	Contributed surplus US$'000	Translation reserve US$'000	Total US$'000
At 1 January 2009	7,250	(2,382)	4,868
Other comprehensive expense for the year	—	(2,523)	(2,523)
At 31 December 2009	7,250	(4,905)	2,345
Other comprehensive income for the year	—	622	622
Capital reduction during the year	4,960	—	4,960
Contributed surplus utilised	(4,960)	—	(4,960)
Release of contributed surplus upon disposal of subsidiaries	(7,250)	—	(7,250)
Release of translation reserve upon disposal of subsidiaries	—	4,261	4,261
At 31 December 2010	—	(22)	(22)

The contributed surplus of the Group as at 31 December 2009 mainly represented the waiver of an amount due to directors of subsidiaries and the difference between the net assets of the subsidiaries acquired pursuant to a group reorganisation in 1995 over the nominal value of the company's consideration in exchange therefore.

(b) The Company

	Contributed surplus US$'000
At 1 January 2009 and at 31 December 2009	20,581
Capital reduction during the year	4,960
Contributed surplus utilised	(4,960)
Release of contributed surplus upon disposal of subsidiaries	(20,581)
At 31 December 2010	—

The contributed surplus of the Group as at 31 December 2009 mainly represented the difference between the net assets of the subsidiaries acquired pursuant to a group reorganisation in 1995 over the nominal value of the company's consideration in exchange therefore.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position information of the Company at the reporting date is as follows:

	Notes	31/12/2010 US$'000	31/12/2009 US$'000	1/1/2009 US$'000
Non-current assets				
Property, plant and equipment		4	—	1
Investments in subsidiaries	35	1	880	20,753
		5	880	20,754
Current assets				
Trade and other receivables		37	57	59
Amounts due from subsidiaries *(Note)*		9,211	825	1,730
Bank balances and cash		7,851	7	17
		17,099	889	1,806
Current liabilities				
Amounts due to subsidiaries *(Note)*		—	1,002	950
Convertible notes		5,521	—	—
Trade and other payables		209	1,177	716
		5,730	2,179	1,666
Net current assets (liabilities)		11,369	(1,290)	140
Total assets less current liabilities		11,374	(410)	20,894
Capital and reserves				
Share capital		255	4,278	4,278
Share premium		16,578	7,652	7,652
Other reserves		—	20,581	20,581
Accumulated losses		(5,459)	(32,921)	(11,617)
		11,374	(410)	20,894

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

35. INVESTMENTS IN SUBSIDIARIES

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Unlisted investments, at cost	30,530	30,529	30,529
Less: Provision for impairment	(29,649)	(29,649)	(9,776)
Disposal	(880)	—	—
	1	880	20,753

Details of subsidiaries held by the Company as at 31 December 2010 and 2009 are as follows:

Name of subsidiaries	Class of shares held	Place of incorporation/ establishment	Place of operations	Particulars of issued share capital/paid up registered capital	Attributable equity interest of the Group 2010	2009	Principal activities
Direct subsidiaries							
Best Harvest Asia Limited	Ordinary shares	British Virgin Islands ("BVI")	BVI	US$1	100%	—	Investment holding
Smart Source Corporation Limited	Ordinary shares	Hong Kong ("HK")	HK	HK$1	100%	—	Investment holding
Joy Wealth Finance Limited	Ordinary shares	HK	HK	HK$1	100%	—	Money lending
Ankan Holdings Limited[1]	Ordinary shares	BVI	BVI	US$45,000	—	100%	Investment holding
Georich Trading Limited[1]	Ordinary shares	BVI	HK	US$2,510,000	—	100%	Trading of veneer and plywood
SMI Global Corporation[1]	Ordinary shares	United States of America ("USA')	USA	US$1,000	—	100%	Trading of wood products

35. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Class of shares held	Place of incorporation/ establishment	Place of operations	Particulars of issued share capital/paid up registered capital	Attributable equity interest of the Group 2010	2009	Principal activities
Indirect subsidiaries							
Delta Wealth Finance Limited (formerly known as Head & Shoulders Finance Limited)	Ordinary shares	HK	HK	HK$1,000,000	51%	—	Money lending
連雲港訊利信息諮詢服務有限公司[3]	Ordinary shares	People's Republic of China ("PRC")	PRC	HK$780,000	100%	—	Provision for information consultancy services, production and installation of advertising banners
Daunting Services Limited[1]	Ordinary shares	BVI	Singapore	US$50,000	–	100%	Trading of plywood and other related products
Glowing Schemes Sdn. Bhd.[1]	Ordinary shares	Malaysia	Malaysia	Malaysia Ringgit 1,200,000	–	100%	Dormant
Manuply Wood Industries (S) Sdn. Bhd.[1]	Ordinary shares	Malaysia	Malaysia	Malaysia Ringgit 55,000,000	–	100%	Manufacturing and sale of veneer
Pacific Plywood Limited[1]	Ordinary shares	Samoa	HK	US$3,000,000	–	100%	Trading of plywood and other wood products
Sevier Pacific Limited[1]	Ordinary shares	BVI	BVI	US$100	–	100%	Investment holding
SMI Management & Co. Pte, Limited[1]	Ordinary shares	Singapore	Singapore	Singapore dollars 20,000,000	–	100%	Property holding and provision of management service

Notes:

1. In October 2010, the Company and Global Axis Limited ("Global Axis"), a company incorporated under the laws of Labuan, Malaysia, entered into the agreement, pursuant to which the Company agreed to dispose of its equity interest in the Disposal Group at a consideration of HK$5,000,000. Upon completion, the Disposal Group ceased to be subsidiaries of the Company. The transaction has been completed on 30 December 2010.

2. On 19 October 2010, the Group completed the acquisition of 51% equity interest in Delta Wealth which engages in the money lending business in Hong Kong and a shareholder's loan of approximately HK$44,217,000 (equivalent to approximately US$5,701,000), at an aggregate consideration of HK$48,397,000 (equivalent to approximately US$6,237,000). This transaction has been accounted for using the acquisition method of accounting. Upon completion of the transaction, Delta Wealth is regarded as a subsidiary of the Group.

3. The Company is registered in the form of wholly foreign owned entity.

None of the subsidiaries had any debt securities at the end of the year or at any time during the year.

36. OPERATING LEASE COMMITMENTS

The Group as a lessee

The Group leases certain of its office properties under operating lease arrangements. At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31/12/2010	31/12/2009	1/1/2009
	US$'000	US$'000	US$'000
Within one year	62	41	83
In the second to fifth year inclusive	59	5	34
	121	46	117

37. SHARE OPTION SCHEME

Employees' share option scheme of the Company

Before the listing of the Company's shares on the Stock Exchange on 20 November 1995, the Company adopted a share option scheme for employees on 17 October 1995 ("Pre-IPO Option Scheme).

In compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange, the Company terminated the Pre-IPO Option Scheme and adopted the current share option scheme (the "Scheme"), as approved by the shareholders at the Annual General Meeting on 21 June 2002. Upon the said termination no further options could be granted under the Pre-IPO Option Scheme but in all other respects, the provisions of the Pre-IPO Option Scheme should remain in force and all outstanding options granted prior to the termination should continue to be valid and exercisable. Details of the Scheme have been set out in the "Letter from the Board" dated 13 May 2002.

Under the Scheme, the Company may grant options to any participant, in the absolute discretion of the Board, who has made valuable contribution to the business of the Group. The subscription price will be a price determined by the Board and at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of the option, which must be a business day; (b) the average closing price of the shares as stated in Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of the shares. The total number of shares which may be issued upon exercise of options must not exceed 30% of the number of shares in issue from time to time and in addition, 10% of the number of shares in issue at the date of approval of the option scheme.

37. SHARE OPTION SCHEME (Continued)

Employees' share option scheme of the Company (Continued)

No share option has been granted under the Scheme. Details of the share options granted under the Pre-IPO Option Scheme in 1999 and outstanding as at 31 December 2009 were as follows:

	Date of grant	Exercisable period	Exercise price per share *HK$*	Outstanding on 1 January 2009, 31 December 2009 and 1 January 2010	Lapsed during 2010	Outstanding on 31 December 2010
Executive director:						
Mr. Liao Yun Kuang*	26.8.1999	14.3.2000 – 13.3.2010	0.71	7,425,600	(7,425,600)	—
Other employees	26.8.1999	14.3.2000 – 13.3.2010	0.71	3,003,000	(3,003,000)	—
				10,428,600	(10,428,600)	—

* Mr. Liao Yun Kuang resigned as a director of the Company on 28 October 2010.

38. ACQUISITION OF A SUBSIDIARY

On 19 October 2010, the Group completed the acquisition of 51% equity interest in Delta Wealth, which engages in the money lending business in Hong Kong, and a shareholder's loan of approximately HK$44,217,000 (equivalent to approximately US$5,701,000), at an aggregate consideration of HK$48,397,000 (equivalent to approximately US$6,237,000). This transaction has been accounted for using the acquisition method of accounting.

The fair value of net assets acquired in the transaction approximate to their carrying amounts and the goodwill arising on acquisition, are as follows:

	US$'000
Net assets acquired:	
Loan receivables	18,589
Other receivables	47
Bank balances and cash	438
Other payables	(1,360)
Tax liabilities	(86)
Other borrowings	(5,408)
Loans from shareholders of a subsidiary	(11,169)
Net assets acquired	1,051
Non-controlling interests	(515)
Shareholders' loan	5,701
Total consideration	6,237
Satisfied by	
Issue of convertible notes *(Note 29)*	6,982
Issue of shares *(Note 32)*	262
Put option obtained *(Note 25)*	(1,269)
Cash	262
	6,237
Net cash inflow arising on acquisition:	
Cash consideration	(262)
Bank balances and cash acquired	438
Net inflow of cash and cash equivalents In respect of the acquisition of subsidiary	176

The subsidiary acquired during the year contributed US$564,000 to the Group's turnover and a profit for the year of US$392,000 between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2010, total group revenue for the period would have been US$1,799,000 and profit for the year would have been US$44,000. The pro forma information is for illustrative purpose only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

39. DISPOSAL OF SUBSIDIARIES

(a) On 30 December 2010, the Company and Global Axis Limited ("Global Axis"), a company incorporated under the laws of Labuan, Malaysia, entered into the agreement, pursuant to which the Company agreed to sell and Global Axis agreed to acquire all the issued shares in the capital of the Disposal Group at the consideration of HK$5,000,000 (equivalent to approximately US$641,000).

	30 December 2010
	US$'000
Net liabilities disposed of:	
Property, plant and equipment	31,249
Interests in an associate	376
Deferred tax assets	4,860
Bank balances and cash	737
Inventories	5,827
Trade and other receivables	3,473
Borrowings	(56,359)
Trade and other payables	(11,263)
Obligation under finance leases	(14)
Tax liabilities	(98)
	(21,212)
Non-controlling interests	(1,000)
Exchange loss realised	4,261
	(17,951)
Gain on disposal	18,592
Total consideration	641
Satisfied by:	
Cash	641

	US$'000
Net cash outflow arising on disposal:	
Cash consideration	641
Bank balances and cash	(737)
	(96)

39. DISPOSAL OF SUBSIDIARIES (Continued)

The gain on disposal is included in profit for the year from discontinued operations in the consolidated statement of comprehensive income (Note 13).

(b) In June 2009, the Company and Dalian Global entered into an agreement pursuant to which the Company agreed to sell and Dalian Global agreed to acquire all the issued share in the capital of ACHL at the consideration of US$50,000.

	31 December 2009 US$'000
Property, plant and equipment	5,295
Trade and other receivables	450
Cash and cash equivalents	4
Trade and other payables	(5,173)
Bank borrowings – short term	(4,173)
Cumulative translation adjustments	(2,690)
Net liabilities	(6,287)
Gain on disposal of subsidiaries	6,337
Proceeds	50

	US$'000
Consideration received, satisified in cash	50
Cash and cash equivalents disposed of	(4)
Net cash inflow	46

40. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged certain assets with the following carrying values to secure the general credit facilities granted to the Group.

	31/12/2010 US$'000	31/12/2009 US$'000	1/1/2009 US$'000
Trade and other receivables	—	1,135	1,108
Inventories	—	7,461	13,116
Bank balances	—	17	566
Property, plant and equipment	—	49,723	57,528
Leasehold land	—	2,897	2,928

41. MAJOR NON-CASH TRANSACTION

During the period ended 31 December 2010, the Company acquired the 51% equity interest in Delta Wealth by the issuance of a total of 12,500,000 new shares at an issue price of HK$0.16 per share.

42. RETIREMENT BENEFITS SCHEME CONTRIBUTION

The Group has joined the Mandatory Provident Fund Scheme ("MPF Scheme") for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

42. RETIREMENT BENEFITS SCHEME CONTRIBUTION (Continued)

The employees of the Singapore and Malaysia subsidiaries are members of the Central Provident Funds (the "Funds") operated by the governments of those countries. The subsidiaries are required to contribute a percentage in the range of 12% to 14.5% of their covered payroll to the Funds. The only obligation of the Group with respect to the Funds is the required contributions to the Funds and there is no forfeiture of contributions under the schemes.

The Group's subsidiary in the United States of America is required to contribute 7.65% of the basic salary of the employees to the federal government of the United States of America for social security purposes.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of comprehensive income represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. For the year ended 31 December 2010, contributions of the Group under the MPF Scheme and the Funds amounted to approximately HK$200,000 (2009: HK$202,000).

43. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, the Group also had the following material related party transactions/balances:

During the year ended 31 December 2009, two directors of the Company have provided personal guarantees to banks in respect of certain bank loans and trade facilities granted to the Group amounting to US$66,557,000 (2010: nil).

(b) **Compensation of key management personnel**

The remuneration of directors and key management personnel during the year are set out in note 15. The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trend.

44. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2010, the Company has entered into the following agreements:

(i) With effect from 10 January 2011, the Company has its every existing 25 issued and unissued shares of HK$0.001 each to be consolidated into 1 consolidated share of HK$0.025 each. Details of which has been set out in the circular dated 21 December 2010,

(ii) On 21 January 2011, the Company entered into the placing agreement with the placing agent, and has agreed to place up to 15,400,000 shares at a price of HK$0.73 per placing share. Furthermore, the placing price has been revised to HK$0.74 per share. Details of the agreement have been set out in the announcement dated 21 January 2011 and 24 January 2011. On 1 February 2011, the transaction was completed and 15,400,000 shares were successfully placed to placees.

(iii) On 8 March 2011, the Company proposed to issue 2,774,183,310 rights shares to the qualifying shareholders by way of the rights issue at the subscription price of HK$0.08 per share on the basis of thirty rights shares for every one existing share held on 26 April 2011.

On 8 March 2011, the Company proposed to place convertible notes of up to HK$100,000,000 in a maximum of three tranches with the minimum aggregate principal amount of HK$30,000,000 (save for the last tranche) each to be issued by the Company.

Following the aforesaid proposed rights issue and placing of convertible notes, the board lot size is proposed to be changed from 2,000 shares per lot to 40,000 shares per lot and there will be a potential adjustment of the conversion price of the outstanding convertible notes with a principal amount of HK$48,000,000. In the event that the rights issue is not approved at the special general meeting, the board lot size of the shares will remain unchanged.

The proposed rights issue, placing of convertible notes are subject to the approval of the independent shareholders of the Company on 13 April 2011. Details of which are set out in the announcement and circular dated 8 March 2011 and 28 March 2011 respectively.